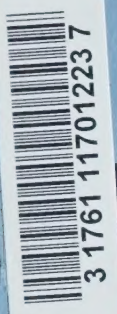


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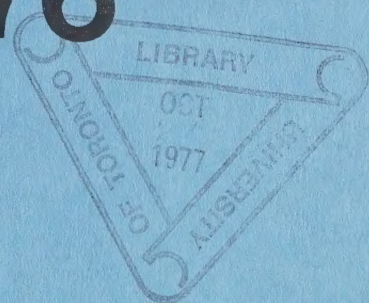
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Canadian Radio-television and
Telecommunications Commission

Conseil de la radiodiffusion et des
télécommunications canadiennes

1976



COMMENTS

COMMENTAIRES

Pay Television

Télévision à péage

VOLUME 4

Nos. 70 thru 89.

Nos. 70 à 89.

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PAY TELEVISION / TELEVISION A PEAGE

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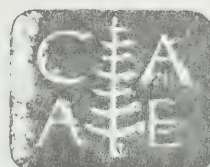
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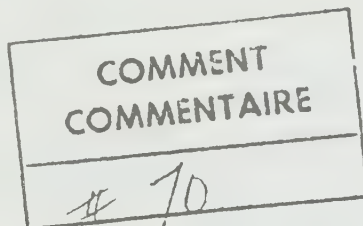
CANADIAN ASSOCIATION FOR ADULT EDUCATION

GRACE HOUSE 29 PRINCE ARTHUR AVENUE, TORONTO M5R 1B2

(416) 924-6607

BEAVER CANAL THOMAS FILM

executive director IAN MORRISON MSc (HON)



September 29, 1976

Dear Mr. Lefebvre:

PAY-TV

We wish to submit the enclosed Brief regarding
Pay-TV for consideration by the Commissioners
at the forthcoming hearings.

Yours very truly,

Ian Morrison

Ian Morrison

Received By - Reçu par
SECRETARIAT

OCT 4 1976

C.R.T.C.

Mr. Guy Lefebvre
Director General
Canadian Radio-Television and
Telecommunications Commission
Berger Building
100 Metcalfe Street
OTTAWA, Ontario
K1A 0N2



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CORBETT HOUSE - 29 PRINCE ARTHUR AVENUE, TORONTO M5R 1B2

president ALAN M. THOMAS, Ph.D.

(416) 924-6607

executive director IAN MORRISON, M.A. (HON.)

BRIEF TO

THE CANADIAN RADIO-TELEVISION AND TELECOMMUNICATIONS COMMISSION

REGARDING PAY-TV

INTRODUCTION

The Canadian Association for Adult Education is greatly concerned to note the apparent haste with which major governmental and corporate institutions are rushing to espouse the implementation of Pay-TV in Canada. We are also aware that, in this haste, insufficient attention may be given to the impact of the introduction of Pay-TV upon Canadian education, educational delivery systems in general, and particularly adult and continuing education.

We therefore welcome the opportunity extended by the CRTC hearings to delineate some of the potential implications of Pay-TV on Canadian education and to press for a moratorium on Pay-TV decisions until such time as the educational and other implications of the propositions now being filed before the Commission may be examined in a public forum.

THE CAAE

The Canadian Association for Adult Education is a private, non-profit, voluntary organization founded in 1935 to promote opportunities for adult learning in Canada. Its three principal functions are to link individuals and institutions within Canada concerned with adult education and to extend links between Canada and the world community, to promote innovation and best practice in the field, and to examine existing and proposed policies and structures affecting the opportunity of Canadian adults to learn. CAAE is a membership organization consisting of 650 individuals and 150 institutions representing all provinces and territories in Canada. Based in Toronto, its operations are financed by labour, management, government, foundations and private individuals, including its members. CAAE maintains a standing committee on adult learning in the communications media and this committee is responsible for preparation of the present submission.

UNDERLYING ASSUMPTIONS AND PRINCIPLES

Since 1935 CAAE has maintained an active concern for and interest in issues affecting public broadcasting policy in Canada including, particularly, educational implications of broadcasting policy. Over this period four continuing principles have motivated our concern:

- (1) Support for a national broadcasting system in Canada.
- (2) A concern for the public interest in broadcasting policy.
- (3) The need to promote equality of access by Canadians to broadcast opportunities with respect to both geographic and economic considerations.

- (4) Access by all Canadians to education opportunities free of charge.

Our approach to the Pay-TV debate is based upon these fundamental assumptions and principles.

THE IMPACT OF PAY-TV

We believe that a full discussion is needed on the impact of Pay-TV upon other areas of broadcasting, particularly educational communications. We further believe there is a danger that the profound implications of Pay-TV upon educational communications may not receive the attention they deserve because of the secondary role of provincial authorities (who have the constitutional responsibility for education) in the determination of policy decisions in the broadcasting field.

We consider that the CRTC should address itself towards repairing the inadequacies in the existing cable distribution system before that system is given the credibility of a genuine alternative to broadcasting.

If, as others have stated, ownership of a Pay-TV system is a licence to print money, the CRTC should exert, in the public interest, a strong degree of control over the utilization of that money and, in our view, divert substantial funds towards educational and cultural programming rather than amusement programming only.

There may indeed be a potential contribution which Pay-TV can make towards educational objectives in Canada, but no decisions on the implementation of a Pay-TV system should be taken until its impact upon educational and other cultural policies is better understood.

EDUCATIONAL OPTIONS FOR PAY-TV

Our speculation on the potential contribution of Pay-TV to educational objectives includes the following options.

It may be that under certain of the proposed delivery mechanisms a potential will exist for offering individual instruction in specialized subjects to audiences smaller than those to which public educational broadcasting institutions can cater. We would urge the Commission to analyse the submissions of those parties with a financial interest in the implementation of Pay-TV in terms of the reference within their proposals to educational applications.

If, for example, a system were approved which provided for payments 'by program' rather than by month, it might be possible to achieve co-operation between Pay-TV distribution systems and educational institutions so that specialized programmes could be offered via this medium to the individual at home while providing the educational institution with a fee collection mechanism.

If Pay-TV programming were required to include significant educational content, a positive by-product of this requirement might be encouragement of the production of educational programming by university and college media centres, which could offer a major financial stimulus in their operation.

Would it be possible to assign a single channel within each Pay-TV system to a recognized educational institution (for example a university or community college) to offer educational programming?

In any such arrangement we would urge re-consideration of the present Cable-TV policy of asserting an unrealistic distinction between 'community programming' and 'educational programming' with the concomitant tendency to bifurcate and reduce audience size.

CONSIDERATIONS IN REGULATING PAY-TV IN CANADA

In order that educational and other non-profit needs will not be neglected in any Pay-TV system to be developed, CAAE believes that all interested parties should have a voice in the policy direction and administration of Pay-TV in Canada. A co-ordinating body should be considered, perhaps as an advisory committee to the Commission, to include representation from educational and other interests. A major concern of this body would be to ensure consideration of the public interest in the initiation and development of Pay-TV within Canada.

THE MARKET FOR EDUCATIONAL PROGRAMMES

We believe that considerable work must be done to ascertain the market for specific educational programmes that might be offered under any Pay-TV policy. This Association would be happy to co-operate with the Commission, given adequate financial support, to undertake and co-ordinate background studies of the educational market for Pay-TV, and to establish a directory of production resource facilities available within the post-secondary educational institutions, the private sector and elsewhere, to promote educational programming in a future Pay-TV system.

CONSIDERATION OF A PILOT SYSTEM

Consideration should be given to establishing a pilot system under CRTC supervision in a medium-sized Canadian city in order to iron out prospective problems before a Canada-wide approach is started. Within such an experiment should be included an on-going evaluation of the educational component.

SUMMARY AND CONCLUSION

In view of the many unanswered questions facing the Commission on the implementation of a Pay-TV system - among them questions and concerns raised in this brief - CAAE asks the Commission to place a moratorium on any decision to implement Pay-TV until there is adequate opportunity for evaluation of the impact of the proposals now before the Commission upon other parts of the broadcasting system including educational communications.

We believe that very serious attention must be given to the questions of the role, function and social purposes of Pay-TV before a decision is made to implement any approach. In the evaluation of the various alternative approaches, we and others concerned for educational communication would appreciate an opportunity to study the implications for educational communications of the various alternative systems.

Because we believe the implications of Pay-TV in Canada will be profound, we urge a moratorium to ensure that these implications will tend towards the social and cultural betterment of Canada.

BROADBAND COMMUNICATIONS NETWORKS
LIMITED

869-0152

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P.O. Box 249, ~~150 WILSON STREET, TORONTO, ONTARIO~~
Toronto-Dominion Centre, ~~TORONTO, ONTARIO~~
Toronto, Ontario.
M5K 1J5

September 27, 1976.

Canadian Radio-Television & Telecommunications
Commission,
Berger Building,
100 Metcalfe Street,
Ottawa, Ontario.

COMMENT
COMMENTAIRE

Received by - Recu par
SECRETARIAT

OCT. 4 1976

C.R.T.C.

Attention : Mr. G. R. Lefebvre

#71

Dear Sirs:

Re: June 30, 1976 Request for Submissions
Concerning Pay Television in Canada

Broadband Communications Networks Limited (BCN) filed a brief on the subject of pay television and other related matters in connection with the Commission's public hearing on cable television policy in June, 1975. A copy of that brief is attached.

BCN welcomes the initiative of the CRTC and the Minister of Communications in taking further steps toward the introduction of pay television in Canada. We believe that the comments contained in our earlier submission are still entirely relevant and, therefore, wish to reiterate them.

While we agree that increased Canadian program production should be the priority at this time, we would urge that in pursuing this objective some of the other longer range potentials of cable television systems not be ignored. The structural decisions that are made in connection with the introduction of pay television will have a profound impact on the future ability of cable television systems to serve other needs of the citizens of Canada.

In its efforts to achieve some of the further potentialities in cable television, BCN is continuing its research efforts in broadband communications including participation in fiber optics studies.

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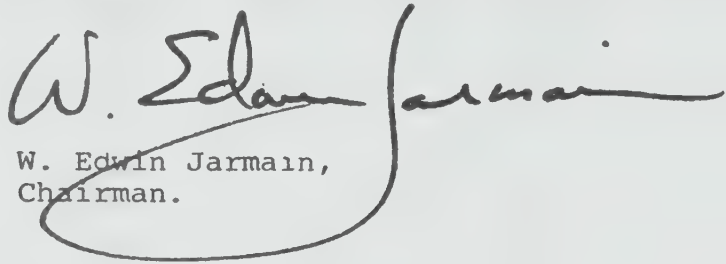
Mr. G. Lefebvre

-2-

September 27, 1976.

In determining the structure for pay television we ask that full cognizance be taken of the fact that only if the pay television delivery system, including the home terminals, is owned and operated by the cable industry will the new generation of communications services so long sought after become a reality.

Sincerely,
BROADBAND COMMUNICATIONS NETWORKS LIMITED


W. Edwin Jarman,
Chairman.

WEJ:cs

BROADBAND COMMUNICATIONS NETWORKS

LIMITED

TELEPHONE 953-1073

83 Barber Green Rd., ~~150 KING STREET WEST SUITE 538~~
Don Mills, Ontario. ~~TORONTO, ONTARIO~~

May 14th, 1975.

Canadian Radio-Television Commission,
Berger Building,
100 Metcalfe Street,
Ottawa, Ontario.
K1A 0N2

Attention : Mr. G. R. Lefebvre
Director General of Licensing

Dear Sirs:

Re: Cable Television Policy
Public Hearing - June, 1975

Broadband Communications Networks Limited (BCN) was established in mid-1972. The following seven* Canadian cable television companies have participated from this date and are interested in a continuing joint research activity:

Cable TV Limited
Canadian Cablesystems Limited
Community Video Limited
CUC Limited
National Cablevision Limited
Premier Cablevision Limited
Rogers Cable TV Limited

The objective of this organization is to explore the new generation of broadband communications services that could be developed in conjunction with cable television systems.

Much attention has been paid to the promise and potential of new broadband services and some work has been done in developing the necessary technology. Little has been done to test the practical or social value of such services or to determine their impact on the Canadian broadcast system as a whole. It was for this reason that BCN was established. Whether or not we embark on a new generation of communications services, a new communications technology, may well depend on the outcome of the project that BCN has undertaken.

* The Jarman group of companies and Maclean-Hunter Cable TV Limited were also founding members. The former subsequently merged with Canadian Cablesystems Limited.

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Don Mills, Ontario.

TELETYPE UNIT

Mr. G. R. Lafeyre

-2-

May 14th, 1975.

The basic approach adopted by BCN was as follows:

1. Identify potentially viable new broadband cable services: As a first step, it was decided to attempt to identify a small number of new services that might initially be able to support a broadband interactive network; further services could be added once this had been established. As part of this step, BCN decided to participate in a major multi-client study of broadband services carried out by the Arthur D. Little consulting organization.
2. Develop a prospectus for a pilot project: The next step was to develop a business plan for a pilot project in Canada to prove and refine these services and test their marketability.
3. Carry out pilot project: If the prospectus was sufficiently promising to attract the necessary financial support, a comprehensive pilot broadband project would be carried out in conjunction with a cable television system in a carefully selected location.
4. Expand to provide new services and technology on a broader scale: Assuming the pilot project was successful, the new BCN services would be implemented by the participating companies. In addition, know-how and equipment developed by BCN would be made available to other companies - possibly on an international scale.

Progress To Date

BCN has advanced the funds necessary to complete the first two steps listed above and has reached a number of important conclusions concerning the pilot test and the feasibility of offering these new services on a broad scale. These conclusions are:

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Don Mills, Ontario. 78XXXXXXX

Mr. G. R. Lefebvre

-3-

May 14th, 1975.

1. The pilot experiment should include the following services:
 - Premium Television - including high quality, first subsequent run movies, sports events and cultural events.
 - Marketing Services - various combinations of passive, active and interactive services from classified advertising to in-home shopping services.
 - Data Retrieval Services - various combinations of alphanumeric data available on an interactive basis for news and information.
 - Audio Services - additional FM stereo and quadraphonic category and request music services.
 - Social Services - Experimental interactive educational services, health and safety data, poll taking, etc.
2. Detailed financial projections indicate that the foregoing package of services is likely to be profitable only on a very large scale (i.e. on a network basis). Even then the alphanumeric data retrieval service would be marginal and could not be contemplated unless in the company of other more profitable services. It was felt alphanumeric data retrieval should nevertheless be included in the pilot experiment because it is the most advanced of all the services under consideration.
3. The pilot test should involve approximately 500 terminals being placed in a carefully selected sample of homes. The test would last approximately 12 months.
4. The cost of the pilot test would be approximately \$3 million of which it has been assumed one half could be obtained from various levels of government because of the research and development nature of the project.

.....4/

BROADBAND COMMUNICATIONS NETWORKS
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83 Barber Green Road, ~~XXXXXXXXXXXXXXXXXXXX~~
Don Mills, Ontario. ~~XXXXXXXXXXXX~~

Mr. G. R. Lefebvre

-4

May 14th, 1975.

The remaining \$1.5 million would come from interested companies (BCN has no desire to be restrictive and in embarking upon the next phase would welcome participation from other interested companies).

5. Most of the existing members of BCN are prepared to commit the funds necessary for the pilot project (i.e. \$1.5 million in total) if a favourable regulatory climate for the pilot test and subsequent scale up seems reasonably assured.

BCN Interest In The
Proposed Cable Policy

Broadband communications appears to hold forth the promise of great benefits to our society in terms of information, education and enlightenment and general convenience. It appears to hold forth an opportunity for Canadians to develop a dramatic new communications technology. As with any new technology, it also has the capacity for misuse. In the upcoming hearing on cable policy we are at a crossroads. The decisions the Commission makes on cable policy may decide the fate of broadband communications services in Canada. The potential for broadband communications has been likened to the revolution that occurred following the invention of the telephone and, before that, the printing of books. The decision to develop or suppress this potential is to a considerable degree in the Commission's hands.

Specifically, the answers to the following questions will determine whether there is any future for BCN:

1. Will pay tv be developed by the cable companies or others? Some of the more advanced services BCN would like to develop, including alphanumeric data retrieval, can only be contemplated in they are provided along with other services such as pay tv whose viability appears to be relatively more promising. A decision to prevent cable companies from taking entrepreneurial initiative in connection with pay tv could effectively preclude the development of other more advanced types of services by the cable companies.

.....5/

BROADBAND COMMUNICATIONS NETWORKS
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DON MILLS, ONTARIO

Mr. G. R. Lefebvre

-5-

May 14th, 1975.

2. Will the advantages of a single multi-purpose terminal device be recognized? From an economic, esthetic, and convenience point of view it is obviously desirable to follow a course of development that in the longer run contemplates a single multi-purpose terminal unit capable of delivering a variety of new services. It is hard to imagine how this result could be achieved by encouraging the installation of special-purpose terminals by a variety of parties. The development of a multi-purpose terminal is of critical importance to BCN because few of the services that can be developed would be capable of supporting the cost of a terminal unit on their own.
3. Will experimentation and the development of new services be encouraged? Unless BCN perceives positive encouragement for experimentation and for subsequent development of new communications services on a larger scale, it would be imprudent to spend large sums of money on a pilot test of the kind BCN has planned. In Canada we should be concerned with innovation - particularly in new communications services and technology. If such innovation and risk taking are to occur, positive encouragement must be provided.

.....

We would appreciate an opportunity to appear at the June hearing to elaborate our views.

Sincerely,
BROADBAND COMMUNICATIONS NETWORKS
LIMITED

W. Edwin Jarman
W. Edwin Jarman,
Chairman.

WEJ/cs

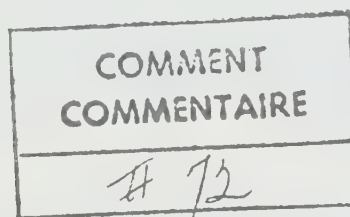


THE WRITERS' FEDERATION OF NOVA SCOTIA

M. Guy Lefebvre,
Secretary-General,
Berger Building,
100 Metcalf Street,
Ottawa,
ONTARIO
K1A 0N2

22 September, 1976

Received by - Reçu par
SECRETARIAT



OCT 4 1976

C.B.T.C.

Dear M. Lefebvre:

The Writers' Federation of Nova Scotia views with great concern the precipitate haste with which it is proposed to introduce pay television in Canada, and the undemocratic manner in which discussion of a matter so profoundly affecting their lives and livelihood is being denied Canadian artists and to the Canadian public at large.

The W.F.N.S. represents some 60 professional writers and more than 400 other persons who practise writing on a part-time, freelance basis. The facilities and funds made available for national and regional television and film production vitally affect not only the earning capacity of these writers, but their ability to reach the Canadian public and to make the contribution to Canadian cultural life which is their principal *raison d'être*. Regional production, in particular, has in the past been lamentably inadequate in providing an outlet for Canadian writing, acting and production talent, as well as in serving the needs of regional audiences. Good sense demands that no move should be made to introduce new and revolutionary measures into an already chaotic industry without first ensuring that it will not worsen the plight of the artists and diminish the already unsatisfactory service to the public. This Federation believes that a vigorously expanding regional production and transmission capability is essential to Canadian cultural health and growth, and that no step should be taken until its full protection and proper development for the public good is assured.

The Honourable Jeanne Sauvé, Minister of Communications, has said that the introduction of Pay-TV on a large scale is inevitable. This seems to be an admission that Canada has no control over the proliferation of the electronic media or the uses to which they shall be put. If this is true, the public has at least the right to know whether this development is inevitable because of pressures from those with a vested financial interest in it, because the technocrats cannot be resisted, because Canadian culture cannot flourish without it, because of popular demand, or for some other reason.

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Mme. Sauvé also said:

"On introduction into Canada, (pat-TV) must play its part to ensure the growth and development of the Canadian program production industry and the broadcasting system.... We cannot lose this opportunity by focusing on new hardware or structures in isolation.

".... we must take care that Pay-TV is introduced in an orderly and controlled fashion.... there would be little reason to permit (its) introduction.... if it were left to develop in the same manner as the motion picture industry in Canada. Foreign interests have acquired a virtual monopoly over exhibition and distribution, thus gaining control over the financial resources needed for production."

The words "on introduction into Canada", when taken together with the last-quoted sentence, have an ominous ring. And if introduction is inevitable, the talk of permitting it or not is empty indeed. But our main concern is that there seems no more certain way of ensuring that introduction will not take place in "an orderly and controlled fashion", than by undertaking it in unnecessary haste, without careful study, without consultation with the artistic community and with no opportunity for public discussion. So far as the artists are concerned, their contribution at this stage can make the difference between the flourishing of television as a true and potent vehicle of a healthy cultural identity and its continuance in the role that has earned it the name "idiot box."

This potential new source of revenue for the production and dissemination of Canadian TV programs and films could be of incalculable benefit to the arts, to Canadian production capability and to the viewing public. It is the clear duty of the government and of the controlling bodies involved to guarantee that the greatest possible portion of those revenues is used for the attainment of those benefits.

We urge the government to SLOW DOWN.

We recommend that the question of Pay-TV be given exhaustive study, which shall include the fullest consultation with the arts community and adequate public hearings. We further recommend that no date be set for the closure of the discussion until it can be more clearly seen that justice will be done and the maximum benefit will be derived. Those who advocate haste are usually those with the most to fear from public scrutiny.

Yours truly,



H.R. Percy,
Chairman,
Writers' Federation of Nova Scotia.

THE CANADIAN EXECUTIVE
COMMITTEE (PROVISIONAL
COUNCIL):

CHAIRMAN,
DAN MACDONALD

FIRST VICE CHAIRMAN,
SANDY WEBSTER

SECOND VICE CHAIRMAN,
VERNON CHAPMAN

THIRD VICE-CHAIRMAN,
ANNE BUTLER

TREASURER,
LESLIE YEO

JOHN ARAB

MAGGIE ASKEY

CLAUDE BEDE

ANNE MARIE CLARK

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JAMES B. DOUGLAS

MOYA FENWICK

LORRAINE FOREMAN

HON FRANCIS

JOHN GARDINER

BARBARA GORDON

DAWN GREENHALGH

NANCY HERMISTON

BARNEY INGRAM

NANCY KERR

CHARLES KIRBY

AVO KITTASK

TIM LEARY

MARILYN LIGHTSTONE

GWENLYNN LITTLE

WALTER MASSEY

JENNIFER ORR

MARGARET PALMER

JENNIFER PHIPPS

NADIA POTTS

WENDY REISER

PAUL REYNOLDS

PENELOPE RITCO

ELIZABETH SHEPHERD

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EXECUTIVE SECRETARY,
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ASST. EXECUTIVE SECRETARY,
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ADMINISTRATIVE ASSISTANT,
CHRISTOPHER MARSTON

FIELD AND PUBLIC
RELATIONS REPRESENTATIVE,
FRANK R. HOGG

Canadian Actors' Equity Association

64 SHUTER STREET, TORONTO, ONTARIO, CANADA M5B 2G7

TELEPHONE: (416) 869-1334

September 24, 1976.

Mr. Guy Lefebvre,
Director General - Licensing,
C.R.T.C.,
100 Metcalfe Street,
Ottawa, Ontario.
K1A 0N2

Dear Mr. Lefebvre:

Re: Pay TV and the Legitimate
Theatre, Opera and Ballet

Canadian Actors' Equity Association (CAEA) represents professional performing artists in the legitimate theatre, opera and ballet in the English-speaking milieu in Canada.

The advent of Pay TV, if properly regulated, could prove generally beneficial to professional performing artists and theatrical companies in Canada. However, if well-thought out controls are not instituted at the outset it would seem likely that the impact of Pay TV could have a damaging and long-term effect on our theatres and artists.

The hasty implementation of Pay TV without adequate prior study could result in a loss of audience to the "live" theatre if, for example, the exposure of imported programmes devoted to drama, opera and ballet is not limited in some way. This could have adverse effects on the revenue and well-being of our theatrical companies with a resulting negative effect on the position of the Canadian artist vis-a-vis job opportunities. Also, adequate levels of payment to Canadian performing artists employed in Pay TV must

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SECRETARIAT
OCT- 4 1976
C.R.T.C.

**COMMENT
COMMENTAIRE**
#73

Mr. Guy Lefebvre

-2-

September 24, 1976.

be safeguarded and additionally the question of Canadian content will undoubtedly require consideration in the context of Pay TV.

Further, the quality of programming is of major importance to CAEA which holds the view that "live" theatre, opera and ballet can only be successfully transferred to TV after extensive re-staging for that medium and moreover that any "live" presentation transferred to TV cannot replace the experience of actually being present in the theatre at a performance.

CAEA therefore urges that Pay TV be the subject of public hearings and that all aspects of its implementation and use be well considered in advance of placing the control in the hands of a permanent and responsible public agency devoted primarily to the interests of the Canadian public.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Dan MacDonald".

Dan MacDonald, Chairman,
Canadian Executive Committee
(Provisional Council).

DM:vk

*Secy
972-21
pay (TV)*

COMMENT
COMMENTAIRE

74

SUBMISSION
TO THE
CANADIAN RADIO-TELEVISION AND TELECOMMUNICATIONS COMMISSION
ON THE INTRODUCTION OF
A PAY-TV SYSTEM IN CANADA
FROM INTER-CHURCH COMMUNICATION

Received by - Reçu par
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OCT 14 1975

C.R.T.C.

PURPOSE

This submission is made to reaffirm our support of the policy stated in the Broadcasting Act that the system should "safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada".

APPROACH

Within the context of that policy, we recognize

- (a) the importance of governmental and regulatory encouragement of the development of broadcast programming and feature films by and for Canadians,
- (b) the deterministic effects of technological development which have rendered Pay-TV a matter of "when" and "how" rather than "if",
- (c) the strains which could be placed on both the letter and the spirit of the Act, and upon the Canadian broadcasting system, in the attempt to reconcile the practices and proposals of the vested interests within the broadcasting and programming systems,
- (d) the unresolved proposals of provincial governments in the area of off-air and cable communications.

DISCUSSION

A. OBJECTIVES

The federal government has stated three objectives of any proposed Pay-TV system.

1. It must provide a range of programming which does not duplicate that now offered by broadcasters and must do so without siphoning programs from the broadcasting system.

The question arises as to why the present system does not provide that "range of programming".

It does not because the U.S. commercial system, which overwhelmingly dominates North American broadcasting, is programmed for maximum audience (with few exceptions). Pay-TV, run as a commercial undertaking, would presumably be subject to the same pressures for mass-oriented entertainment programming.

In addition, it appears to us that the CBC has been forced into, or has acquiesced to, a situation which has rendered it incapable of providing the range of programming (including products of the independent film industry) which we have reason to expect.

2. It must ensure the production of high-quality Canadian programs which Canadians will watch.

We would have expected this to be the mandate of the CBC. The President of the Corporation indicated recently that he sees such production as a high priority. Obviously no one can, or would wish to, force Canadians to watch anything. However, the intent of the Broadcasting Act would suggest that the CBC should be given the resources to "ensure...high-quality" programming. Then people throughout the country would benefit equally, not just those who have access to, or the money to pay for, a Pay-TV system.

However "high quality" is defined, the proportion of Canadian programming and its placement in terms of "prime", "off-prime" or "daytime" are of great concern to us as we contemplate a new system.

DISCUSSION (OBJECTIVES) CONT.

3. It must ensure that programs are produced in Canada for international sale.

Certainly some programs and films would be suitable for use in international markets. Some are now sold abroad. Given the intent of the Act, however, one would question whether this should be a top priority. Producers who attempt to speak specifically and meaningfully to the Canadian situation must not be made to suffer in any way for the benefit of those who set out to produce for the international market.

DISCUSSION CONT.

B. A PAY-TV SYSTEM

Madame Jeanne Sauve, the Minister of Communications, is quoted (BROADCASTER, August/76) as saying: "We must ensure that (the introduction of Pay-TV) does not disrupt the existing system and that it brings the highest possible benefits to private and public broadcasters, cable operators, program producers, actors, writers, and above all, the Canadian public."

We see no way in which Pay-TV can be introduced without disrupting the existing system. That, however, is not our primary concern. Our concern is that any resulting system should maximize the opportunities for high-quality Canadian programming in the public interest as interpreted by the Act.

The CRTC will be receiving a number of submissions regarding the development of a Pay-TV program agency. We presume that there will be submissions from PTN, CBC and CTV and at least one other which will argue that Pay-TV should have a "common carrier" status. Details of these submissions will remain sketchy until such time as they are available for public scrutiny.

We would, however, like to make a preliminary comment about the PTN proposal. PTN clearly states that its programming would consist overwhelmingly of U.S.-produced, early-run films. With feature films routinely budgeted at many millions of dollars, the \$10-20million which PTN envisages being thrown off by the system for Canadian production will not go far. A comparison with the annual CBC programming budget is sobering. As good as the Canadian productions might be, a "one-for-us", "five-for-you" system could hardly be justified under the Act.

DISCUSSION (A PAY-TV SYSTEM) CONT.

We would concur with Kirwan Cox who says (in the Canadian Council of Filmmakers' PAY-TV): "... Pay-TV must not simply become another conduit that increases the saturation of Canada with foreign program material.... Canadian programming...must be the primary content." We sense that the Canadian programming community, particularly its creative and artistic elements, supports the spirit of the Act and is convinced that, given the funds to do the job, it can produce programming which is just as appealing as the U.S. variety.

POLICY PROPOSALS

The churches, which pioneered in the encouragement of the use of cable technology in creating "community", look upon the Pay-TV "stampede" with some trepidation. The technology is rampant, champing at the bit. Entrepreneurs are hovering anxiously, waiting to cash in. We agree with Madame Sauve who states (BROADCASTER, August/76) that "care must be taken to ensure that Pay-TV is introduced in an orderly and controlled fashion".

We urge that the CRTC:

1. Initiate a process regarding Pay-TV which takes into account not only "order" and "control" but also public education.
2. Call public hearings at such times as policy statements, regulations and applications are announced in order to ensure the fullest possible discussion of the public interest factors involved.
3. Provide for the broadest possible access, for both producers and consumers, to any new system.
4. Consider the effect on the home situation, if explicit violence and sex are to be considered proper program elements on a Pay-TV system.
5. Have the wisdom and courage to say "no!" if the proposals it receives do nothing to further the intent of the Act. To quote Kirwan Cox again: "At this point we have no Pay-TV errors to overcome (as with other media). We can design a system from the ground up that is suited to us. We must apply vision... We must not be afraid to be daring."

Respectfully submitted:

W.E. Lowe,
Chairman of Inter-Church Communication;
Director of Planning, Anglican Church of Canada

Roger C. Cann,
Secretary of Inter-Church Communication;
Executive Secretary, Department of Communications
Baptist Convention of Ontario and Quebec

Walter A. Schultz,
Treasurer of Inter-Church Communication;
Executive Director,
Lutheran Council in Canada - Communications

Bonnie Brennan,
Board Member, Inter-Church Communication;
Director, Public Information,
Canadian Catholic Conference

Frank G. Brisbin,
Board Member, Inter-Church Communication;
Secretary, Division of Communication,
The United Church of Canada

Harry A. Crawford,
Board Member, Inter-Church Communication;
Communication Consultant,
Presbyterian Church in Canada

29 Sept 76

télécablé vidéotron

3700 BOULEVARD LOSCH, ST-HUBERT, P.Q. Tel.: 656-2111

Saint-Hubert, Québec
le 30 septembre 1976

COMMENT COMMENTAIRE

C.R.T.C.,
100 rue Metcalfe,
Ottawa, Ontario.

Received by - Reçu par
SECRETARIAT

001 4 1976

A l'attention de M. Guy Lefebvre

C.R.T.C.

Cher Monsieur Lefebvre,

Le 30 juin dernier le Conseil sollicitait des opinions concernant la télévision à péage au Canada. Nous vous soumettons le présent mémoire qui définit les objectifs suivants qui assureront le développement de cette télévision à péage.

- 1.- Le Conseil:
 - permettre d'élargir la base de nos revenus (contenus et services spécialisés sélectifs à péage).
- 2.- La Cablodistribution:
 - offrir des systèmes de cablodistribution à multiples canaux inter-actifs;
 - inter-relier les systèmes;
 - mettre en place un terminal de l'utilisateur permettant d'offrir des contenus et services spécialisés sélectifs à péage.
- 3.- Les producteurs canadiens:
 - nous croyons que la technologie des canaux multiples, les systèmes inter-actifs et inter-reliés, ainsi que la méthode de paiement par contenu développeront et assureront le marché pour les productions de contenus canadiens spécialisés .

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Selon le scénario proposé, la technologie de notre industrie sera utilisée pleinement, les intérêts et les besoins particuliers du public seront satisfaits et le développement de la production canadienne spécialisée sera assurée par un marché local et à l'étranger, entendu qu'il y a carence dans ce secteur.

Veuillez agréer cher Monsieur Lefebvre, l'expression de nos sentiments respectueux.

Bien à vous,



André Chagnon,
Président.

AC/11

LA TELEVISION A PEAGE

Mémoire présenté par TELECABLE VIDEOTRON
Le 28 septembre 1976.

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INTRODUCTION

TELECABLE VIDEOTRON désire s'exprimer sur le thème de la télévision à péage (ou payante) afin de s'assurer que les organismes responsables perçoivent toutes les avenues possibles et qu'ils explorent toutes les possibilités de ce nouveau service offert aux abonnés de la câblodistribution.

Nous croyons que la télévision à péage sera un service actif, à l'abonné, de distribution:

- de contenus et services spécialisés;
- distribués sur plusieurs canaux;
- disponibles selon un mode sélectif;
- payés selon une méthode de paiement par souscription et par contenus (per program).

par opposition à:

- la distribution d'un contenu d'intérêt de masse;
- distribué sur un seul canal;
- disponible selon un mode sélectif;
- payé selon une méthode de paiement par souscription;

tel que généralement employé dans le modèle américain de télévision à péage.

Nous croyons que nous devons élargir la problématique de cette télévision à péage et l'inclure dans la problématique globale du développement de l'industrie.

1. Nous vous présentons le point de vue d'une entreprise qui, depuis quelques années, expérimente et développe de nouveaux services à des abonnés et explore des avenues nouvelles tant dans la nature et la recherche des contenus que dans l'adaptation et le développement des moyens technologiques.
2. Nous vous soumettons quelques éléments d'analyses sur la télévision à péage poussées à même une étude sur la perception, par nos abonnés, de notre service d'auto-programmation et sur quelques autres éléments généraux.
3. Nous vous soumettons des facteurs indicatifs qui vous permettront d'identifier le devenir de la câblodistribution sans laquelle prospective on ne peut identifier le rôle catalyseur de la télévision à péage.

1. LE POINT DE VUE DE L'ENTREPRISE

VIDEOTRON oeuvre dans le secteur de la câblodistribution depuis 1964. En 1973, à St-Jérôme, elle inaugurerait son premier système de canaux multiples interactif.

TELECABLE VIDEOTRON a débuté, en septembre 1975 sur la Rive-Sud de Montréal *1, la construction d'un système de câblodistribution aux fins de desservir les 52,000 foyers existants. Présentement le système a plus de 20,000 abonnés *2.

TELECABLE VIDEOTRON a présenté à sa clientèle un service global comprenant quatre (4) familles de services:

- 10- la retransmission de treize (13) stations de télévision conventionnelle (annexe A).

*1: Territoire comprenant les villes de Longueuil, St-Hubert, Laprairie et Brossard.

*2: Les travaux de construction seront terminés en novembre 1976.

- 20- nous avons consacré huit (8) canaux à la diffusion, 24 heures par jour, d'une banque de quelque 2,000 documents dont les contenus sont répertoriés sur huit (8) champs ou centres d'intérêts selon la formule du magasin spécialisé: - science - enfant - affaires sociales - 3e âge - etc -. La programmation de ces huit (8) canaux est réalisée par la communauté selon la formule d'auto-programmation (annexe B).
- 30- Dix (10) autres canaux sont utilisés pour transmettre de l'information traitée sous des regroupements spécialisés: - nouvelles - calendrier des activités - comparaison de prix - vidéothèque - météo - etc - (annexe C). Nous utilisons, pour assurer le stockage et le traitement de cette information, un ordinateur et des générateurs de caractère alpha numériques. Cette information sera transmise éventuellement dans une forme digitale vers l'abonné pour être reproduite, sous la forme alpha numérique, sur le téléviseur par un générateur de caractère intégré au terminal de l'utilisateur. Cette méthode permettrait de libérer les canaux vidéo actuellement utilisés pour distribuer ces contenus.

40- Un canal pour chaque ville desservie est réservé à la vidéo-communication. Nous explorons beaucoup plus cette forme de communication interactive à cause des caractères spécifiques de la bi-directionnalité (communication dans les deux sens de notre système). L'approche traditionnelle de production et de réalisation de programmes d'intérêt de masse est actuellement très bien desservie par la télévision hertzienne conventionnelle. Nous croyons que nous devons miser davantage sur la spécificité de la câblodistribution:

1. la multiplicité
2. la bi-directionnalité (interaction)
3. l'accessibilité et la souplesse
4. l'authenticité (miroir)
5. l'instantanéité, la spontanéité et la simultanéité
6. avec l'intégration de la technologie, nous approchons à grands pas vers: l'individualité, la multipolarité.

Si nous avons voulu situer notre entreprise, c'est beaucoup plus pour témoigner de nos particularités et expliquer que, tout en étant solidaires à nos associations professionnelles, nous nous devons d'ajouter quelques considérations.

Elles sont dictées par notre expérience particulière et elles reposent sur les caractéristiques de l'industrie énoncée précédemment.

2. QUELQUES ELEMENTS D'ANALYSES SUR LA
TELEVISION A PEAGE.

La télévision à péage doit être le catalyseur de nouvelles ressources afin de répondre aux besoins de contenus et de services spécialisés.

La capacité de transporter simultanément plusieurs fréquences et l'interaction assurée par la bi-directionnalité constituent la plus grande originalité de la technologie que nous utilisons. Il y a lieu d'envisager, dans un processus de mise en place de la télévision à péage, que cette multiplicité tende à répondre davantage à des besoins personnalisés.

La télévision hertzienne conventionnelle répond aux impératifs de la moyenne tant dans ses contenus que dans ses horaires de diffusion. La câblodistribution est l'alternative et la réponse valable aux attentes des usagers qui ne trouvent, dans cette télévision de masse proposée par les stations conventionnelles, ni la souplesse ni la disponibilité qu'ils souhaitent.

La télévision à péage ne devrait pas être l'addition d'une station de télévision de masse avec un contenu encore plus axé sur la moyenne. Elle doit tendre à devenir, comme la bibliothèque, une collection de sujets multiples.

Du même coup, on éviterait de confondre deux (2) systèmes. Ces systèmes sont intrinsèquement différents. Dans ce contexte, le débat sur la problématique de la fragmentation des marchés est stérile, l'une et l'autre des structures sont complémentaires.

La télévision à péage, dans le contexte de la câblodistribution, se définirait en vertu d'un objectif particulier beaucoup plus qu'en réaction à la radio-diffusion.

Dans cette optique, l'analyse de la promotion et du développement de la production canadienne devient fort différente. On parle davantage de contenus spécialisés qui pourraient répondre à des besoins particuliers.

Cette vocation de productions spécialisées, compte tenu des contingences internationales, semble beaucoup plus réaliste et pourrait trouver preneur à l'étranger attendu qu'il y a carence dans ce secteur *1, Russel Karp, président de Tele Prompter Corp. (Voir annexe G)

*1: Pay T.V., Toronto, 2 juin 1976, Convention ACTC.

L'inquiétude de plusieurs producteurs et câblo-distributeurs dans cette orientation s'exprime:

- 1o- par le manque d'intérêt que peut susciter un système de diffusion de contenus spécialisés;
- 2o- par le renouvellement et la modernisation des infrastructures que nécessite la télévision à péage.

A la première allégation, nous opposerons simplement quelques résultats obtenus sur la Rive-Sud de Montréal. Notre entreprise a atteint, dans une région où les signaux hertziens sont disponibles avec des "oreilles de lapin", une pénétration supérieure à 45% dans moins de douze (12) mois alors que des entreprises beaucoup plus importantes que la nôtre, après plus de quinze (15) ans d'existence dans des territoires représentant des caractéristiques semblables, voient leur pénétration inférieure à 35%. Nous avons analysé récemment le phénomène et tenté de le quantifier. Un questionnaire, déposé en annexe D, a été adressé à un échantillonnage représentatif de notre clientèle. Sur les quatre (4) services offerts, plus de 44% de cette clientèle disait s'être abonné pour les contenus spécialisés de l'auto-programmation.

Cette même étude démontrait que, dans un pourcentage aussi élevé, les usagers du système considéraient que ce service d'auto-programmation était à raison de 15.3% le service le plus utilisé et il était retenu comme deuxième choix dans un pourcentage de 44%.

Nous croyons aussi que la technologie des canaux multiples et la méthode de paiement par contenu(s) développeront le marché pour les producteurs de contenus spécialisés.

De plus, les radio-diffuseurs y trouveraient un marché lucratif additionnel pour leurs productions canadiennes.

Il s'agit là, j'en conviens, de données trop particulières pour justifier une décision ou une orientation définitive en matière de télévision à péage.

Nous croyons cependant qu'elles sont suffisamment significatives pour que les organismes réglementaires n'arrêtent pas leur décision sur une formule restrictive. Au contraire, nous souhaitons qu'ils adoptent une souplesse suffisante qui nous permettra davantage d'explorer le principe de la distribution à l'abonné de contenus et de services spécialisés distribués sur plusieurs canaux, disponible selon un mode sélectif, payés selon une méthode de paiement par souscription ou par contenu (s).

Dans la deuxième allégation, il est évident que peu d'infrastructures de câblodistribution ont atteint le stade de développement suffisant pour instaurer et généraliser un service de télévision à péage tel que décrit précédemment.

Nous croyons que la technologie actuellement disponible sera intégrée dans quelques années à tous les systèmes existants. Cette avenue nouvelle favorisera ainsi le développement d'un ensemble d'autres services sélectifs décrits en annexe E qui se justifieront par la mise en place:

- 1o. d'un terminal à l'utilisateur (Annexe F)
- 2o. d'équipement périphérique (Annexe F)
- 3o. d'une technologie d'entreposage de contenus audio-vidéo (numérisation des images par ordinateur).
- 4o. et par l'inter-liaison des systèmes.

3. UNE INDUSTRIE EN MUTATION

L'analyse de quelques facteurs sociologiques, économiques, énergétiques, technologiques et politiques nous permet de préciser le rôle qu'une industrie comme la nôtre pourrait être appelée à jouer.

Au plan sociologique

De plus en plus, les moyens de diffusion des contenus spécialisés doivent être caractérisés par la souplesse et la disponibilité afin de répondre aux besoins individualisés des consommateurs.

La somme des connaissances et du savoir disponible et l'accès à ce savoir sont de plus en plus spécialisés.

Les modes classiques de la distribution des connaissances et de la culture ne répondent plus aux besoins des individus.

Le rôle que sera appelé à jouer la câblodistribution dans ce champ est imminent parce qu'elle seule possède déjà l'infrastructure qui répond aux critères de:

- multiplicité
- rétroaction
- disponibilité
- souplesse

Au plan économique

La crise d'énergie que nous traversons actuellement et les études prospectives sur la disponibilité de l'énergie pour la prochaine décennie, nous indiquent l'importance du rôle que devra jouer l'industrie de la câblodistribution dans l'identification d'approches nouvelles.

L'épuisement de ressources périssables, telles que le papier, nous confronte à une réalité qui nous indique que dans un avenir rapproché les disponibilités du papier seront insuffisantes pour répondre à l'impression des quotidiens.

La croissance des coûts de production et de distribution de ces quotidiens nous amène aussi à réfléchir sur les implications économiques de l'imprimerie. A titre d'exemple, sur 87 millions que doit déboursier annuellement le TORONTO STAR pour la publication de son quotidien, moins de 12 millions sont réservés au "software" (contenu).

Ce rapide tableau soulève un ensemble de questions sur l'utilisation des infrastructures de câblodistribution dans l'identification de nouvelles approches à ces problèmes.

La technologie

Au cours des quinze (15) dernières années, on a connu le développement prodigieux de l'électronique. Les programmes Apollo et plus récemment le programme Viking illustrent bien ce développement.

Peu de connaissances nouvelles déjà acquises et utilisables immédiatement ont été intégrées à la technologie de la câblodistribution.

Nous en sommes au stade de l'intégration des connaissances et de la recherche. Il faut que ce développement s'articule sur un schéma global et non sur un besoin isolé.

La politique

Le développement de notre industrie s'inscrit dans un encadrement politique particulier (Fédéral-Provincial).

Certains organismes réglementaires et législatifs ont, depuis longtemps, exprimé que la croissance de la câblodistribution devait être contenue et freinée afin de protéger l'industrie de la radio-diffusion.

Le refus d'autoriser des revenus additionnels au service de base, générés par des services supplémentaires a handicapé le développement de l'industrie de la câblodistribution:

1. dans la distribution de contenus et de services spécialisés;
2. dans l'élargissement de sa couverture de services à l'extérieur des zones urbaines.

Il faut avouer qu'une telle perception est peu génératrice de créativité et de dynamisme.

Il est nécessaire que les gouvernements créent un climat favorable afin de permettre à notre industrie de s'épanouir et de devenir un partenaire fort, afin de répondre aux nouveaux types de besoins.

De plus, les organismes réglementaires et législatifs doivent agir afin d'apporter des solutions aux problèmes de droit intellectuel dans un contexte nouveau de diffusion différent de la télévision hertzienne conventionnelle (auto-programmation, reprise).

Face à ces considérations nous pouvons penser que l'industrie de la câblodistribution, dans le cadre de la télévision à péage, sera:

- une industrie majeure d'une stature et d'une maturité suffisante pour jouer pleinement son rôle actif dans la distribution:

- 1) de contenus spécialisés sur plusieurs canaux disponibles selon un mode sélectif (*1) et selon une méthode de paiement par souscription (*2), et par contenu (*3) (per program).
- 2) de services sélectifs (*4) disponibles selon un mode sélectif et une méthode de paiement par service.

- tout en demeurant dans le secteur de la distribution, un service universel (*5) de premier ordre pour:

- 10. la diffusion des stations hertziennes conventionnelles;

- 20. la diffusion des contenus d'origine communautaire;

- 30. la distribution de contenus produits par le câblodistribution ou par d'autres organismes.

Ce service de base distribué à un plus grand nombre de citoyens permettra d'élargir l'auditoire pour les contenus et services spécialisés.

- *1: CONTENUS SELECTIFS: contenus disponibles aux abonnés en plus du service universel, moyennant un paiement pré-établi.
- *2: PAIEMENT PAR SOUSCRIPTION: s'applique pour le service universel ou service sélectif. Le paiement s'applique pour une période déterminée (mensuel - annuel).
- *3: PAIEMENT PAR CONTENU: C'est le paiement pré-établi prévu pour chaque programme offert à l'abonné comme contenu ou service sélectif.
- *4: SERVICES SELECTIFS: Les services autres que les contenus sélectifs et le service universel disponibles aux abonnés moyennant un paiement pré-établi.
- *5: SERVICE UNIVERSEL: Service de base commun à tous les abonnés moyennant un paiement mensuel déterminé.

CONCLUSIONS

1. Dans la situation actuelle, il y a lieu de continuer à explorer et à mieux identifier les besoins et les attentes des usagers et de favoriser un plus grand nombre d'expériences dans le domaine.
2. La disponibilité et l'utilisation des résultats technologiques indiquent et confirment d'une façon certaine la "faisabilité" de la distribution de contenus et de services spécialisés sur plusieurs canaux selon un mode universel ou sélectif et une méthode de paiement par souscription ou par contenu.
3. Dans le cadre de complémentarité, une perspective d'une action concertée et coordonnée entre les communicateurs, les producteurs et les câblo-distributeurs est possible et elle influencerait favorablement la production de contenus canadiens.

4. Historiquement, si on maintient le même schéma de développement traditionnel qui a prévalu dans l'industrie (absence d'un réseau d'inter-liaison), 90% des entreprises québécoises seront éliminées de la télévision à péage.

Les coûts que représentent les équipements de diffusion, le personnel, la promotion et la mise en marché seront prohibitifs.

Une fois de plus, à l'encontre des politiques gouvernementales, nous nous retrouverons avec des services disponibles exclusivement dans les grandes concentrations.

5. Afin d'assurer notre objectif de distribution de contenus et de services spécialisés sur plusieurs canaux selon un mode universel ou sélectif et une méthode de paiement par souscription ou par contenu (per program), il est nécessaire pour l'industrie d'augmenter sa base de revenus (télévision à péage), afin de:

- 1o. réaliser, à court terme, l'interconnexion de systèmes de câblodistribution;
- 2o. développer un terminal de l'utilisateur "home terminal" compatible avec les fonctions décrites en annexe F;
- 3o. obtenir des contenus spécialisés;
- 4o. susciter le développement et l'implantation de services spécialisés;
- 5o. accélérer le développement des services de câblodistribution dans les concentrations à faible densité.

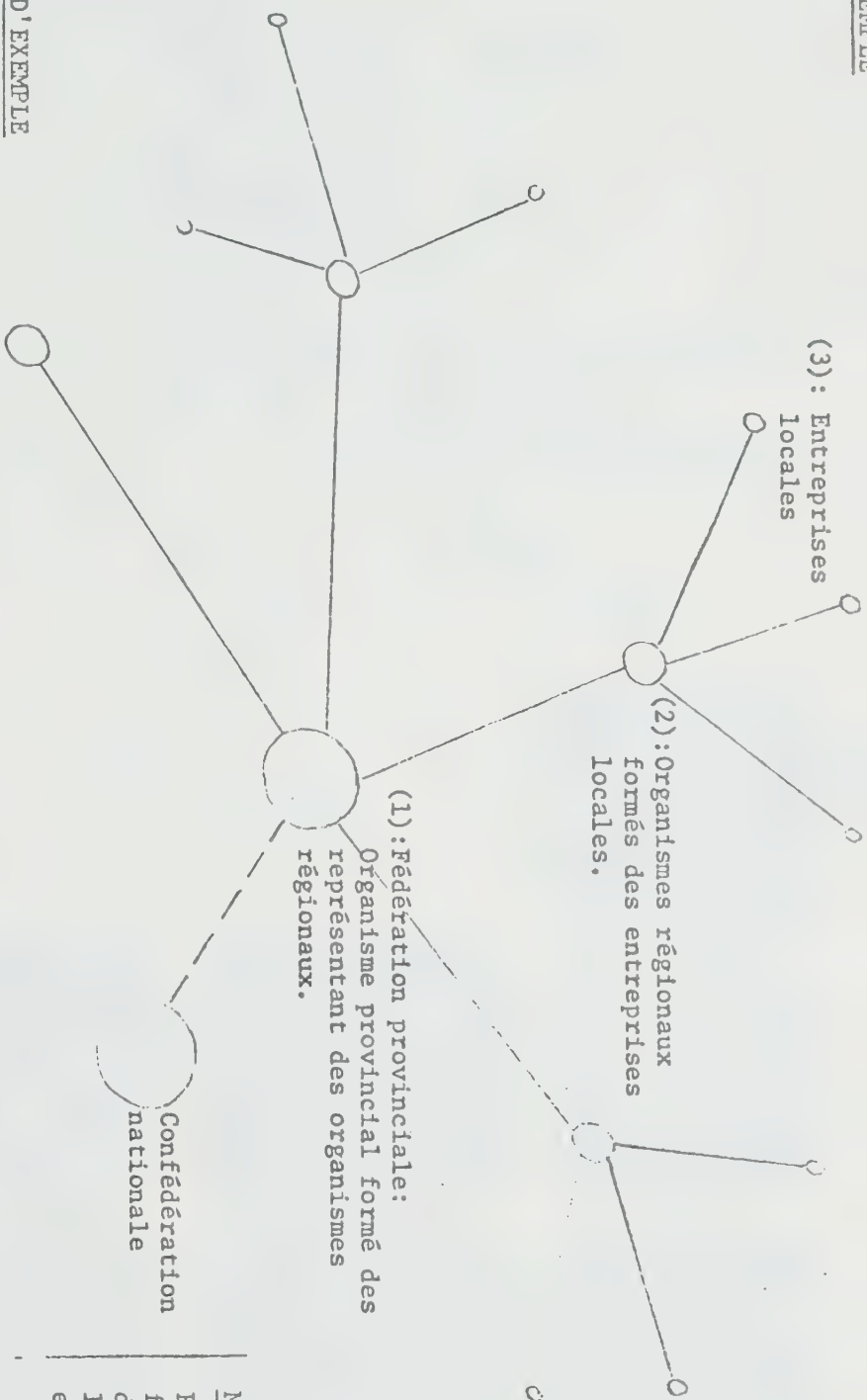
RECOMMANDATIONS

En matière de télévision à péage, nous recommandons:

- 1o. Que les organismes responsables s'abstiennent d'arrêter une formule restrictive de télévision payante ou à péage;
- 2o. Que l'encadrement réglementaire soit souple et stimulant afin de favoriser des actions concertées propices au développement d'une production canadienne;
- 3o. Qu'en outre, celle de la télévision à péage, de distribution à l'abonné de contenus et de services spécialisés, sur plusieurs canaux, disponible selon un mode sélectif, payé selon une méthode de paiement par souscription et par contenu, soit retenue.

En matière de câblodistribution, nous recommandons la création, au Québec, d'une corporation (voir organigramme) provinciale formée des entreprises de câblodistribution dont le mandat serait le suivant:

10. le développement et la promotion économique de l'industrie:
 - accès aux capitaux
 - rationalisation et planification des équipements et des entreprises
20. le développement et la recherche technologique
 - a) plus particulièrement dans la mise au point d'un terminal de l'utilisateur "home terminal" ayant les fonctions décrites en annexe F.
 - b) utilisation de la technologie développée afin de répondre, par des formules nouvelles, à des besoins handicapés.
30. remplir le rôle d'agence en matière de télévision à péage pour:
 - 1) l'obtention de contenus spécialisés
 - 2) le développement de services spécialisés



A TITRE D'EXEMPLE

- (1) Rôle:
- Mise en place d'un réseau d'inter-liaison provinciale
 - Mise en place d'un système de facturation pour les services par souscription et par contenus
 - En plus des rôles définis en page 24.
- (2) Mise en place de tête de ligne commune, planification et développement du réseau régional, évaluation des besoins régionaux, mise en commun des ressources humaines spécialisées. La distribution de contenus et de services spécialisés.
- (3) Mise en place du réseau à canaux multiples interactif fiable et les relations avec l'abonné.

Mandat

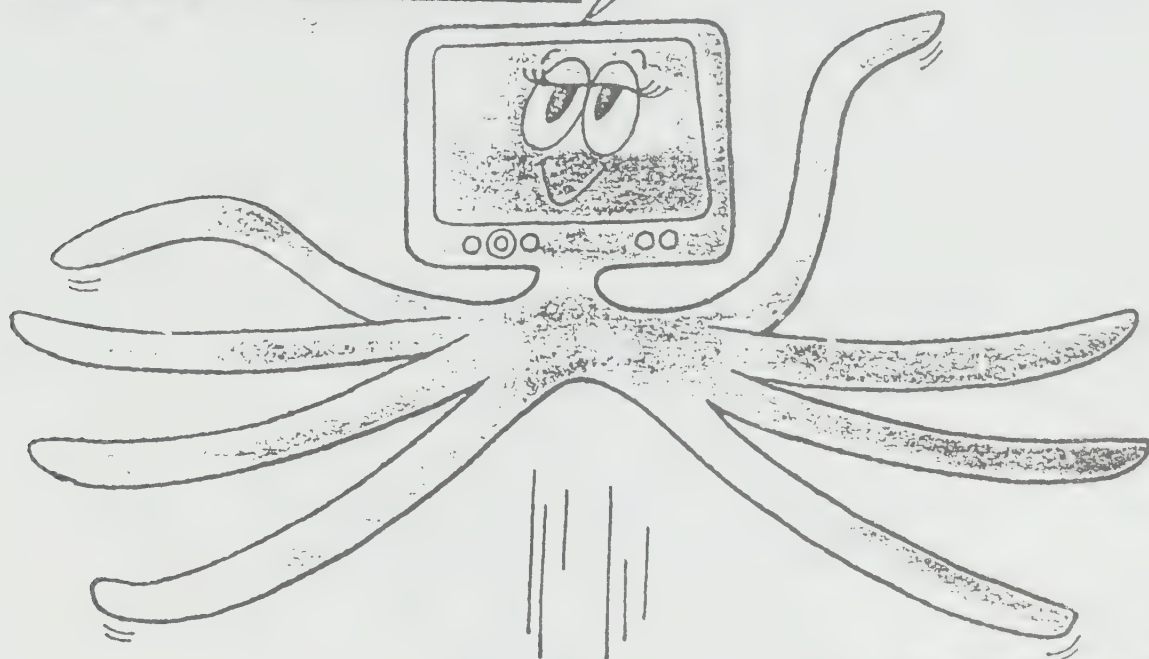
Fourni par les fédérations afin de mettre en commun les acquis, les expériences.

ANNEXE A

LES CONTENUS DE LA TELEVISION
CONVENTIONNELLE

13 télécable

vidéotron



13 CANAUX BROADCAST BROADCAST CHANNELS

CETM
Télé-
Métropole
(10)

CHLT
Sherbrooke
(7)

CKTMD
Trois-
Rivières
(13)

CBFT
Radio-
Canada
(2)

CKSH
Sherbrooke
(9)

CIVM
Radio-
Québec
(17)

CBMT
Radio-
Canada
(6)

CECF
CIV
(12)

CJSS
Cornwall
(8)

WCAX
Burlington
(3)

WPTZ
Plattsburg
(5)

WMTW
Poland Springs
(8)

WETK
Vermont
(33)

ANNEXE B

L' AUTO-PROGRAMMATION

L'AUTO-PROGRAMMATION

L'auto-programmation est un service novateur qui se définit particulièrement par la possibilité laissée à tout individu et/ou à la communauté desservie par un système de câblodistribution de procéder à la sélection d'un document audiovisuel et à en commander le visionnement sur un canal de télévision.

TELECABLE VIDEOTRON a huit (8) canaux de télévision à ce service d'auto-programmation. L'abonné prend connaissance des documents disponibles en vidéothèque en parcourant, d'une part, un catalogue écrit qui lui est transmis deux fois par année et qui est mis à jour continuellement par un catalogue électronique diffusé sur un canal de télévision. Une fois son choix fait, l'abonné transmet sa demande de visionnement par le biais du téléphone et l'émission est diffusée sur le canal approprié au type de document en fonction des disponibilités à l'horaire du dit canal. Même s'il suffit d'une demande pour commander la diffusion d'un document, toute personne qui syntonise le canal en question à l'horaire prévu participe également au visionnement du document.

Les canaux voués à ce service se catégorisent de la façon suivante:

1. Un canal "enfant"
2. Un canal "étudiant"
3. Un canal "troisième âge"
4. Un canal "loisirs socio-culturels"
5. Un canal "arts et spectacles"
6. Un canal "affaires sociales"
7. Un canal "sciences et éducation"
8. Un canal "sports"

Ces canaux sont disponibles au service d'auto-programmation 24 heures par jour et s'alimentent de contenus spécialisés provenant de sources professionnelles et communautaires.

ANNEXE C

LES SERVICES D'INFORMATIONS
INFORMATISEES

SERVICE DE CANAUX AUTOMATISES

Poursuivant son objectif de communication, TELECABLE VIDEOTRON diffuse dix (10) canaux de type magazines d'information, opérés par un mini-ordinateur. Ces canaux regroupent majoritairement des informations de nature locale et communautaire. Cette information est disponible 24 heures par jour.

1. Canal SOS (répertoire des services qu'une communauté requiert en cas d'urgence, tels Services de Santé, Dépannage, gardiennes d'enfants, etc...);
2. Canal CALENDRIER DES EVENEMENTS (répertoire des principales activités à venir dans une communauté);
3. Canal PETITES ANNONCES (biens et services à vendre ou à échanger);
4. Canal METEO (conditions locales et prévisions);
5. Canal CONSOMMATION (comparaison de prix dans l'alimentation, produits pharmaceutiques, quincaillerie);

6. Canal TV GUIDE (chaines conventionnelles, horaires);
7. Canal HORAIRE pour les canaux d'auto-programmation;
8. Canal VIDEOTHEQUE (catalogue électronique des documents en vidéothèque non intégrés au catalogue écrit);
9. Canal NOUVELLES (Agence Canadian Press et nouvelles locales);
10. Canal ARTS VISUELS.

ANNEXE D

QUESTIONNAIRE ET RESULTATS
COMPILES EN JUILLET 1976

Voir questions 16 et 61

18

Quel service vous a le plus attiré lorsque vous avez décidé de vous abonner?

- | | | |
|------|------------------------------|----------------------------|
| 9.5 | La télévision de service | <input type="checkbox"/> 1 |
| 44.7 | La télévision sur demande | <input type="checkbox"/> 2 |
| 37.6 | La télévision traditionnelle | <input type="checkbox"/> 3 |
| 8.2 | La télévision communautaire | <input type="checkbox"/> 4 |

(22)

61

Classez par ordre d'importance (1 à 5/1 étant le meilleur) les services suivants?

- | | | | |
|-----------------------------------|-----------------------------|--------------------------|------|
| (7.9) (23) (37.6) (23.1) (8.2) | TV Communautaire | <input type="checkbox"/> | (40) |
| (69.3) (14.1) (8.5) (6.7) (1.4) | TV Traditionnelle | <input type="checkbox"/> | (41) |
| (15.3) (44.3) (26.6) (10.1) (3.4) | Télévision sur demande | <input type="checkbox"/> | (42) |
| (1.9) (5.8) (9.8) (25.6) (57.1) | Ligne ouverte | <input type="checkbox"/> | (43) |
| (5.6) (12.8) (17.5) (34.5) (29.9) | Services/Information écrite | <input type="checkbox"/> | (44) |

ANNEXE E

A TITRE D'EXEMPLE QUELQUES:

- 1) SERVICES SELECTIFS QUI POURRAIENT ETRE
OFFERTS PAR LE CABLODISTRIBUTEUR;
- 2) SERVICES TRADITIONNELS QUI POURRAIENT
ETRE EVENTUELLEMENT ASSURES PAR LE
CABLODISTRIBUTEUR.

1. SERVICES SELECTIFS

- a) La télévision à péage selon une distribution de contenus spécialisés "per program";
 - b) La transmission du journal à la maison en utilisant:
 - i) le "frame grabber"
 - ii) l'imprimante
 - c) L'accès aux banques d'information et de documentation;
 - d) La surveillance à distance:
 - i) vidéo
 - ii) lecture des points de surveillance
 - feu
 - vol
 - fumée
 - e) La lecture des compteurs à distance
 - f) La télé-emplette
 - g) La consultation à distance (polling)
- etc...

2. SERVICES TRADITIONNELS

a) La formation, le recyclage et la diffusion de la culture.

La problématique: La disponibilité des agents de formation et du recyclage, les contraintes de temps et de déplacement pour les usagers, l'accessibilité à la formation, etc...

b) Les assemblées, les réunions, les congrès.

La problématique: Les contraintes énergétiques qui freinent le déplacement des individus. La nécessité d'exercer son droit d'expression et de vote. Les contraintes de temps et d'espace.

c) La sécurité

La problématique: l'inefficacité des moyens traditionnels de surveillance et le coût que suppose la surveillance directe.

d) Le télé-empiette

La problématique: Le coût actuel de la promotion, l'écologie et l'économie des ressources périssables.

e) La diffusion de l'information

La problématique: le coût pour l'impression de l'information non utilisée dans sa forme écrite, les problèmes d'économie des ressources périssables, la disponibilité pour consultation, l'accès et la démocratisation du savoir et de l'information.

f) La poste

La problématique: l'énergie, le coût et les contraintes de temps nécessaires pour l'acheminement des messages.

g) La bibliothèque

La problématique: La désuétude du format, les contraintes de temps et d'espace.

etc...

ANNEXE F

LES FONCTIONS A DEVELOPPER UN "HOME TERMINAL"
ET QUELQUES ADAPTATIONS TECHNIQUES QUE NOUS
ENTREVOYONS DANS L'INDUSTRIE.

" TERMINAL DE L'USAGER "FONCTION DE BASE

- Opérer à des fréquences:

 vers l'abonné de 54 à 300 Mhz
 vers la centrale de 0 à 30 Mhz

- Doit être compatible avec la fibre optique
 en y incluant l'interface nécessaire.

- Sera alimenté électriquement par le système
 de câblodistribution. Le débranchement sera
 identifié immédiatement à la centrale
 (pour raison de sécurité).

- La sélection des contenus ou services sera
 exécutée d'un sélecteur sans fil dans
 les fréquences de 54 à 300 Mhz.

- Le sélecteur permettra l'interaction (oui,
 non, neutre).

- Commander à distance (de la centrale)
l'opération (on et off) de un, plusieurs,
ou tout les canaux.
- Identifier le contenu ou le service utilisé
(étude du marché et facturation).
- Le terminal devra décoder les signaux
transmis par le système (le codage des
signaux sera variable pour raison de
sécurité).
- Assurera la vérification automatique de
la qualité du signal chez l'abonné.
- Système "paging" lorsque l'abonné est absent,
le terminal peut retenir un message et le
retransmettre dès que le téléviseur est
opéré ou que l'abonné active un voyant.
- Le terminal sera de construction modulaire
afin de permettre la simple addition de
modules pour les fonctions optionnelles ou
le remplacement de module pour réparer une
défectuosité.

FONCTIONS OPTIONNELLES

- Le sélecteur des contenus ou services opèrera dans les fréquences de 54 à 1000 Mhz.
- Le terminal retiendra en mémoire (2000 bits) des informations alpha-numériques sous forme digital transmises par le réseau (Frame Grabber). Un générateur de caractère inclus dans le terminal, produit l'information alpha-numérique sur le téléviseur de l'abonné.
- Alimenter une imprimante (facsimilé).
- Modulateur pour interaction audio-vidéo.
- Interface pour services tels que: surveillance (feu et vol), lecture de compteurs, etc...

- Fournir le signal audio-vidéo pour un câblo-récepteur (économie d'un syntonisateur traditionnel et le stade de fréquences intermédiaires (IF) et élimine le stade de détection audio-vidéo.)

ANNEXE G

TEXTE DE RUSSEL KARP

B) TelePrompter Corporation

by Russel Karp

Russell Karp is president of TelePrompter Corporation in New York

At TelePrompter we first introduced pay cable, with the help of Telemation Services, through our Theta system in Los Angeles in April 1974. By the end of 1974, we saw three major results: Forty-six percent of Theta's basic subscribers had also subscribed to pay cable. The number of basic subscribers in our Los Angeles system had climbed from 57,000 (representing 27% of all homes behind cable) to 78,000 (representing 31% of homes behind cable). Finally, Theta's 1974 operating deficit (that's before depreciation and amortization, interest and equipment lease expense) had improved in one year by almost \$3,000,000.

In the two years following our introduction of pay cable, we have extended it to systems from coast to coast and from Canada to Mexico. These systems today serve approximately 600,000 basic subscribers, of whom to date roughly 20% have signed up for pay cable. Except in Los Angeles,

all our pay cable programming is supplied by Time Inc.'s Home Box Office. At TelePrompter we chose HBO because it was the best available for our needs. Its entertainment 'mix' was found to be ideally suited to our potential subscribers whose preferences range from North American League soccer to Wimbledon tennis, from "Pinochio" to "Les Folies Bergère", from *Rollerball* to *Gone With the Wind* and Louis Malle's *Thérèse of Paris*. Another big plus from our point of view was the availability of satellite transmission.

The agreement we signed with HBO last year will enable us to provide pay-cable programming in virtually all of our systems, partly by microwave relay, but mostly by satellite. We now have 20 satellite receiving stations built and operating in a short time we plan to erect eight more.

Clearly, the time for pay cable has come. The American public wants and needs it. The reason should be obvious: Broadcast television is dependent on advertiser revenues and accordingly must cater to the mass audience geared to advertisers' needs. Technical limitations on the number of available broadcast frequencies compound the problem. The viewer consequently finds the same tiresome fare on all commercial channels, no matter how energetically he turns the dial. If the broadcasters and the regulators give it a chance, pay cable will be able to offer new kinds of programming. Indeed, I have already urged a number of my friends in the business to develop three new categories of programming, each requiring a channel of its own: (1) A family channel offering films of the Walt Disney type, along with educational programs free of commercials. (2) A drama channel - drawing on Broadway and also on regional theatres all over North America, taking the best of each; ballet, operas and concerts as well as drama. (In Canada this and other pay cable channels could be bilingual or there could be separate channels in English and French. (3) A news and public affairs channel programmed by leading publications - perhaps The New York Times and The Wall Street Journal. General and financial news would be reported in depth - a welcome change from the superficial reporting encountered on commercial television.

The primary function of pay cable is to offer a greater variety of programming. This the broadcasters have failed to do, whenever the programming seemed incompatible with their mass orientation. Pay cable can fill in the niches and the gaps; it can program for age and ethnic groups now overlooked because they do not correspond to the demographics desired by the broadcasters and their advertiser-supporters. It will not compete head on with commercial television. Nor will pay cable dry up or restrict the supply of programming available to commercial broadcasters. Rather, it will select the best among the many excellent programs rejected by the broadcasters. If it is allowed to develop, it will create a source of fresh new programming that will be available to all media.

Excerpts from speeches to the CCTA Conference in Toronto on June 2, 1976

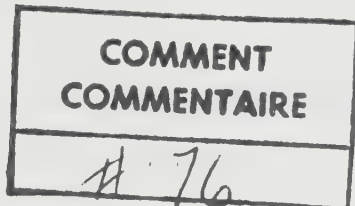
SELKIRK HOLDINGS LIMITED
EXECUTIVE OFFICES

J. STUART MACKAY
PRESIDENT

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102 BLOOR STREET WEST
TORONTO, ONTARIO
M5S 1N3
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COMMENT
COMMENTAIRE

September 30, 1976



DELIVERED BY HAND

Mr. Harry J. Boyle
Chairman
C.R.T.C.
100 Metcalfe Street
Ottawa, Ontario K1A 0N2

Dear Harry

I am pleased to enclose observations on Pay-TV, as requested by the Commission.

The recommendation covers three specific areas. First, we have attempted to provide you with some thinking from the point of view of a station operator, and here I refer to CFAC-TV Calgary and CHCH-TV Hamilton. Second, we have submitted a recommendation for the consideration of the Commission. Third, we commissioned Ron Brown of Mediaspecs to provide us and you with a complete updating on the current Pay-TV situation in the U.S.

I hope you will find the report of value. As indicated in the opening preamble of our comments, you will note that in addition to the observations attached, we are part of a joint private broadcasters brief.

Should any further information be required from us, we would be pleased to provide you with same.

Kindest regards.

Yours sincerely

Stuart MacKay
President

SM/dg

cc: Mr. Guy Lefebvre ✓
Mr. Ralph Hart
Ms. Lise Ouimet

SELKIRK HOLDINGS LIMITED

COMMENTS ON THE INTRODUCTION
OF PAY-TELEVISION
AND IT'S EFFECT ON
THE CANADIAN BROADCASTING SYSTEM

Submitted by

SELKIRK HOLDINGS LIMITED
CHCH-TV, HAMILTON
CFAC-TV, CALGARY

COMMENTS ON THE INTRODUCTION
OF PAY-TELEVISION
AND IT'S EFFECT ON
THE CANADIAN BROADCASTING SYSTEM

SUBMITTED BY: SELKIRK HOLDINGS
LIMITED

CHCH-TV, HAMILTON

CFAC-TV, CALGARY

We have participated actively in the development of another submission which has been made to the CRTC on behalf of private television broadcasters, CTV affiliates and other Canadian broadcasters who share similar concerns. That submission is entitled: Proposed Guidelines for the Introduction of Pay Television in Canada. We became involved because we agreed with its primary purpose which was to help the Commission find the most positive of solutions to enhance our "national communications objectives", which might be expanded to include pay-television.

It was indicated by the group that some broadcasters also would express their individual viewpoint on these matters. That is the reason for this submission, which although not inimical to the private broadcasters' collective brief, does differ in the placing of emphasis, the degree of emphasis and in some of the conclusions that are drawn.

There is no disagreement at all, however, on the fundamental issues. For example, we share the groups' concern about the urgent need to establish priorities among Canada's so-called "national communications objectives". All broadcasters are apprehensive about the advent of pay-television, particularly those Canadian broadcasters who are now experiencing the effect of a different form of pay-television, usually called cable t.v. And there is no disagreement over the proposition that if there is to be some system of pay-television introduced into Canada, it must be one that meets all, not just a majority but all the criteria clearly enunciated by the CRTC and by the Honourable Jeanne Sauvé, Minister of Communications. They bear repeating:

1. "... (P)ay-television shall develop to primarily benefit Canadian broadcasting, the programme production industry and Canadian creative talent."

2. "It must provide a range of programming which doesn't duplicate... (and) without siphoning programmes..."
3. "It must ensure the production of high-quality Canadian programmes that Canadians will watch";
4. "...programmes produced in Canada for international sale."

Before discussing the future of pay-television, it could be useful to pause briefly for a critical look at where we stand pre-pay-television in Canada where 40% or so of all television homes enjoy basic cable service, for a fee. It is an accepted fact that U.S. originated television signals are the prime reason for cable's existence and the key to its economic success. With this fact we are confronted by one of the many ironies which face us in Canada's communications industry and policy statements. For example, today via cable, there is more political information available to Canadians about the U.S. than there is Canadian information. Acts of crime and violence are discussed courtesy of cable, that unofficial U.S. cultural emissary, as prominently in Canada as in the U.S., in addition to crime reports and statistics available to viewers from Canadian sources. U.S. foods, drugs, cosmetics, luxury enticements, in fact the whole U.S. marketplace is enacted in Canadian television viewing rooms together with American claims, prices, conditions and promises which would be unacceptable if not forbidden to appear on Canadian stations for reasons of Canadian policy and Canadian law. Indeed, in the most densely populated parts of Canada the entire output of all the U.S. networks is available at no extra cost to the U.S. networks. The price of admission here is paid by the local Canadian telecasters (whose audience losses had been predicted and have since been quantified) and by Canadian viewers who, if they can't pick up U.S. signals free off-air,

pay for the necessity or privilege of cable each month like they do with their telephone, hydro and other public utilities. Who, then, can convincingly refute the proposition that the cultural Americanization of Canada is being propagated through the instrumentality of cable television under the sanction of Canadian government policy?

Broadcasting in Canada was started by private entrepreneurs, not by the CBC as many imagined. Communications as an art form didn't mean as much in the beginning as it does today or as it no doubt will tomorrow. Some practices and principles, however, haven't changed. Unlike the broadcasting policies of many other socially mature countries, it is fundamental to the Canadian broadcasting system, and established by law, that it will comprise public and private elements. This is one of the great strengths of our system and our country. Another strength is the broadcasters' will to survive in the face of severe challenges; and "resourcefulness" is the broadcaster's most valuable asset when obstacles appear to be overpowering. But how is a broadcaster to cope with a CRTC regulation to increase Canadian content and at the same time compete in his marketplace with the wholesale importation of U.S. signals, programmes and standards? The Joint Broadcaster's submission has well-documented statistics to illustrate the harm done by cable to conventional broadcasting. If cable television hasn't materially benefitted or strengthened conventional Canadian broadcasting, can we affirm that pay-television will or can?

We believe it is excessively optimistic for the Communications Ministry to suggest that "Pay-television (is not) a dire threat to the Canadian Broadcasting System" when there's an abundance of indications to the contrary. It is our submission that not only should conventional broadcasting have nothing to fear from pay-television, there must be positive benefits to

are responsible under the System for serving in the public's interest. If this can be seriously doubted, there should be no pay-television unless the government is now prepared, before licensing any pay-television system, to say publicly that it doesn't see any long term future for private, as distinct from public, television. Then and only then would private broadcasters know what to expect and could make their plans accordingly. But to stress the importance of the Canadian broadcasting system, which includes the private sector, while implementing policy that too easily could cripple that segment, would be a tragedy. It would be interpreted to mean the CRTC had abandoned its determination to ensure "that pay-television shall develop to primarily benefit Canadian broadcasting, the programme production industry and Canadian creative talent."

We are confident that cable television won't be hurt by pay-television. The viewer isn't going to be victimized by having his or her viewing options reduced. It's the broadcaster who will feel the rub if what results with pay-television is inconsistent with the ingoing official policy statements or if, after introduction, pay-television is permitted to slowly undermine the viability of the private element. The question is: how much will it rub?

If there ever was a definition by example it is in the Joint Broadcasters' submission when they illustrate "audience fragmentation" as a consequence of the introduction and expansion of cable television in Edmonton. The total viewing time remained the same. What changed was that the viewing time went down with the Canadian product and up with the American. Exactly as predicted. The same kind of depressing story can be told about Calgary and its introduction to cable. What began as a two television station market in Calgary, became a three local-station market and then through cable a seven station structure not including CBC French. Of all the English-

language programming carried to cable television homes in Calgary during September 1976, 229 hours were Canadian content and almost twice that much, 431 hours, were programmes that originated in the U.S. and were viewed by cable subscribers in Calgary on stations licensed by the F.C.C. to serve, not Canadian but U.S. communities.

If cable hurts conventional television by fragmentation, not to mention the cultural shock waves felt by Canadians upon meeting American society, politics and economics on a one-way street going north, is it realistic to expect anything better from pay-television particularly if it will be based on American models? During the week ending September 10, 1976, the three Calgary television stations originated 57 hours of feature films. The three U.S. commercial network stations carried on cable (ABC, CBS and NBC) almost doubled that with 42 hours more, for a total of 99 hours of feature films in one week. When one considers the total number of usable feature films which on an annual basis are available and purchased by the Canadian stations in Calgary, and adds to that those unduplicated feature-films microwaved into Calgary and distributed on cable, a question arises as to the number of worthwhile feature films left to show. Even if there was a large film inventory that remained unused, how many more than 100 hours a week of mostly U.S. feature films does an Edmonton or a Calgary require?

The broadcasters submit, and we agree, that the Canadian programme production industry doesn't suffer from lack of performing and executive talent. It isn't short of adequate plant and facility. However, the telecaster's brief says that the industry needs more money to create better Canadian programmes that will generate bigger domestic ratings and improve the chances of foreign sales. We would support any worthwhile measure to improve the quality of Canadian programming, but we question how far we might reasonably

expect to go in the international arena. The theory is that there's a big world out there beyond Canada; and, with 20 million or so people, Canada should, with some more production money, be able to compete effectively against the U.S. production machine which is geared to feed the U.S. appetite for conventional television fare. The theory is good and it would be reasonable to expect that some Canadian product will enjoy international sales. But we are not convinced that the volume of foreign sales will represent a sufficiently large revenue source, as such, to become a primary reason for introducing pay-television into Canada.

We are convinced, however, that programme siphoning and television audience fragmentation are not the inevitable by-products of all pay-television schemes. Whether or not there is siphoning or fragmentation will depend on the product that is authorized for pay-television, the system which is licensed to carry it and the model on which it is based. Whether the distribution system for pay-television is off-air or via cable, what isn't affordable at any price (not ultimately to the viewer and not presently to the production industry or broadcasters) is more of the same. That means more of what's going out over-the-air or on cable today even if eventually on pay-television the emphasis may be slightly different. If the reason for authorizing pay-television now is the repatriation to conventional television of audiences to Canadian television programmes which will be partly funded with revenues derived from pay-television (dominated by U.S. produced product because we're told that's what viewers want), then we say it's wrong. It's wrong because Canada doesn't need more choice of American product to further aggravate the imbalance. Cable television already gives Canadians more television choices than in any other country in the world and how has that profited the Canadian Broadcasting System as a whole, or the Canadian production system or the Canadian identity?

Cable subscribers in the Toronto-Hamilton area are now able to receive up to 3 U.S. television networks, 8 Canadian television stations and one community channel as their basic service; and a further 5 U.S. television stations and 3 Canadian television stations, not to mention the news and weather channel, on the converter service. That is an incredible choice of 20 channels. It may be heaven to a viewer but it's something else to the broadcasters. They have to cope with the problem of distant signals coming into their home markets. Not just distant U.S. signals but distant Canadian signals as well with all the local commercials and programming which were intended for their home territory but now add to the confusion beyond.

It has been suggested that better Canadian programmes will be a positive contribution to the problem of audience fragmentation. No doubt that may be true. But we ask that you do not attempt to redress one problem by creating others of equally substantial dimensions. Metaphorically, someone described this as taking one nail out while pounding two more into the coffin.

Even if pay-television may be inevitable, no one can seriously say it must inevitably be now! At a time when restraint is the counsel of government and industry, we should discourage the impulse to invest in new-gadgetry rationalized on the grounds of it being feasible and available. We shouldn't be stampeded into precipitous action. If there now exists the legal authority in the federal government to regulate pay-television, we can't believe the primary authority will disappear or be weakened because unauthorized uses will be tried. We only ask that the authorities re-establish the principles and priorities in broadcasting before authorizing another competitive venture and its attendant disturbances.

No one person or group should be encouraged, or allowed to regard pay-television only as another profit-making opportunity. The time for the federal authorities to declare that pay-television should be authorized because it is needed - which is to say, more than merely desirable - is the time when it can be assured that pay-television will be used exclusively as the medium through which to increase the production and exposure of Canadian properties and carefully selected, special properties which for some good reason aren't being exposed on conventional television. On the face of it, this suggests that the U.S. experiences and pay-television models are inappropriate for Canada. Although there is considerable material and editorial comment available about the U.S. scene, we couldn't find anywhere a thorough, up-to-date assessment or consolidation of opinion and so we commissioned Mediaspec Incorporated to report to us on pay-television in the U.S. This report is included as an appendix to our submission. It examines the U.S. history with cable and pay; looks at the regulatory environment; discusses the sources, supply and costs of programming and related equipment; measures the profitability of the various operations; talks about future options; discusses the competitive delivery systems; and proposes certain conclusions about the U.S. market and the future of pay-television in the United States. It is a comprehensive and objective analysis.

What the study showed, of course, was that there are a number of approaches being tried in the U.S., not all of them using the same system or techniques. The great variety may stem from the absence of a strict regulatory environment or a thoroughly considered policy on pay-television. Whatever else, and however appropriate the systems may be for the U.S., Canada is not the U.S. It is our submission that the U.S. experiments are inappropriate for Canada because none of them meet all the requirements established by the Minister of Communications and the CRTC. They all depend, and

according to qualified American opinion their success in the foreseeable future will continue to depend on the supply of U.S. feature films.

Pay-television means someone has to pay - either has to be willing or forced to pay for this entertainment. The Minister of Communications and the CRTC said they agree that the price for that entertainment isn't going to be paid by conventional broadcasters. It is generally acknowledged, however, that the basic entertainment product on pay-television is probably going to be feature-length movies.

- BUT:
- if, as stated, the primary objective for pay-television is to stimulate Canadian production facilities and manpower to furnish these features and other entertainment product; and
 - if the U.S. film exhibition/distribution system in Canada isn't going to be taxed or levied to fund it; and
 - if the likelihood is that large numbers of viewers won't voluntarily spend a great deal of extra money to watch Canadian product given that they don't spend much to see it at theatres now and spend relatively little time watching free Canadian programmes compared with free U.S. television programmes; and
 - if there isn't any critical need to offer another profit source to cable operators or any other commercial establishment; and
 - there isn't any need to put on pay-television more of what is now offered free on conventional television or for "pay" to compete with conventional television for the same product;

THEN: serious consideration ought to be given to the California experience [See page 49 of the attached Report on Pay-Television in the USA] where pay-television is carried on the cable system and all subscribers must buy it at an extra \$2.00 or so per month. This is a form of universal taxation limited to the universe of cable television subscribers. Translated to the Canadian requirements, one unused channel on the converter on every Canadian cable system would carry only Canadian product for an extra flat monthly charge. All the extra revenue thus derived, after expenses, would be reinvested in Canadian properties subject to reasonable controls on how to invest and by whom. There are other systems and devices, as our study shows, and new technology will develop in time with ever increasing frequency. For example, the availability of two-way cable into homes equipped with converters suggests other very exciting alternatives which also could be considered. But during the short term, regardless of the technique or the device, we believe that it is the cable subscriber who'll have to pay for the development cost of pay television until the Canadian product is attractive enough and sufficiently varied to become a legitimate pay-as-you-go operation.

We see no other valid option at this time. Unless, pay-television proceeds under government subsidies and we're not sure anybody really wants that.

It must have become evident through our comments that we see the issues on pay-television almost in matrimonial terms. The official spokespersons for the federal government and the broadcasting authority say that pay-television must not be allowed in any form to vitiate the Canadian Broadcasting System. They say pay-television must be made to create more opportunities and outlets for Canadian producers and performers. Implicit but unstated is the fact that Canadians must want the product or else pay-television won't work.

The whole enterprise may well prove to be an impossible marriage from the beginning. But it is less expensive, more courageous and most responsible to make that determination before the first licence is ever granted than to proceed in the hopes that somehow everything, priorities included, will sort themselves out. As we said at the beginning, if all - not some but all - the official criteria can not be accomplished then let us acknowledge this now and proceed to find other and better ways to strengthen the fabric of Canada which after all is one of the objectives of the broadcasting policy for Canada.

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A REPORT ON PAY TELEVISION

IN THE U.S.A.

prepared for

SELKIRK HOLDINGS LIMITED

September 1976

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INTRODUCTION

The purpose of this report is to review the development, status and methodologies of existing Pay Television services operating in the United States. The report is to be used as a basis for the development of options relating to the introduction of Pay Television in Canada.

In compiling this report, personal and telephone interviews were conducted with the persons listed below who are actively connected with Pay Television in the United States. In many instances, information was provided by these persons, who, for special reasons, requested that observations and statements be not directly attributed to them. Such requests have been honoured. Where sources could be quoted, they have been noted in the context of the report.

Interviews were conducted in July, August and September with the following:

J. Barrington	Home Box office, New York, NY.
R. Brutoco	Optical Systems, Inc., Burlingame, Cal.
M. Hendrickson	Federal Communications Commission, Washington, DC.
R. Johnson	National Cable Television Association, Washington, DC.
P. Kagan	Paul Kagan & Associates, Carmel, Cal.
E. Michalove	Telemation Program Services, Los Angeles, Cal.
J. Perrenchio	TAT Communications, Los Angeles, Cal.
J. Popham	National Association of Broadcasters, Washington, DC.
R. Ridgeway	American Research Bureau, New York, NY.

P. Shapiro	Arthur D. Little, Inc., Cambridge, Mass.
H. Speigel	Television Bureau of Advertising, New York, NY.
R. Stein	Theta Cable, Los Angeles, Cal.
J. Tyson	Coaxial Communications, Columbus, Ohio.
J. Vanderveld	Teleprompter Corp., New York, NY.
J. Wicht	Telecinema, Columbus, Ohio.

In addition, information sources included articles published in industry trade magazines and newsletters.

SUMMARY AND CONCLUSIONS

The Cable Television industry in the United States is seen to be entering a new phase of consolidation and development. After a rather haphazard and slow growth through to the mid-70's, high-lighted by rapid changes in profitability, available growth capital, technological developments and consolidations, increased management sophistication in cost controls and marketing techniques has lead the industry to a more stable position. Subscribers to basic cable service are seen to grow at a steady rate of between 7% and 10% through to the early 1980's, and the introduction of Pay Cable, together with gradual rate increases in basic cable service, should produce annual revenue increases of between 14% and 18% over the same period.

Pay Cable, since being first introduced in the early 1950's, is through its initial test and experimentation mode, and while continuous technological developments will occur, is expected to enjoy steady subscriber growth, and by the early 1980's produce approximately \$400 million in annual revenue, contributing about 15% of total cable revenue and a larger proportion of total cable cash flow.

However, Pay Television, including Pay Cable, has still some major hurdles to overcome before it can be considered mature. The two major problem areas concern subscriber interface device and programme content.

At present, Pay Cable operators primarily use a mixture of converters, de-scramblers, and traps to protect their service from non-paying viewers. These methods permit only a monthly subscriber subscription method of payment, whereas many observers feel that both viewers and operators would benefit more from a per-programme method of payment. To accomplish this objective, either of two systems, addressable taps, or two-way interfacing cable is necessary. The first, addressable taps, is still very much in the experimental stage, and viable economic units are not expected to be available for mass use for at least five years. Most of the technological and economic problems associated with two-way cable appear to have been solved, but such operation is still only being conducted by one company, and adoption of this technique on a large scale basis appears uncertain for some time to come.

The reasons for desiring per-programme rather than subscription (a set amount per month) subscriber billing operations are many. One major reason is highlighted by the degree, possibly up to 3% per month, of subscriber disconnects which are being currently experienced. Due to self-imposed restrictions on flow of movies from Hollywood producers and lack of major league sports events permitted by the FCC for Pay Cable, many viewers who initially welcomed the concept of Pay Cable eventually became disgruntled over the lack of programming balance and quality offered, and ceased subscription. Many industry observers feel that should the viewer be offered the choice

of paying for what he actually views, rather than apparently paying for much of what he chooses not to view. Not only would the level of disconnection substantially decline, but renewed growth of new connects would commence, pushing Pay Cable penetration past the 25% to 30% of basic cable subscribers presently felt to be the average potential.

This concept has been described as the Magazine concept of Pay Cable programming versus the catalogue approach. The Magazine, or monthly subscription method, by its very nature, attempts to cater to each subscriber's tastes each and every month. But hours of programming are limited, and because operators have to pay for every programme scheduled at much the same cost regardless of viewing levels, the amount of programme choice to the viewer is restricted. However, if operator programme costs could be based on the number of actual, rather than potential viewers, more programming fare catering to wider appeals could be scheduled, possibly even through the addition of further Pay Channels through the same system. The subscriber would have wider choice, and feel more content due to the fact that he pays only for what he views.

Additionally, use of either of these two interface methods would, it is felt, substantially reduce the number of viewers who by various methods manage to obtain access to Pay Channels without payment. The proportion of such fraud is unknown,

but is estimated to be as high as 10% of paying subscribers.

Conversion to per-programme charging methods would also alleviate the Pay Cable operators' second major problem, that of programme product supply, particularly movies. Due to having to programme to mass rather than selective tastes, Pay programmers have to attempt to satisfy two requirements in their selection of movies, high mass appeal and suitable content. The flow of movies from Hollywood currently do not satisfy these objectives, for only about twenty movies per year are produced which could be labelled box office successes, whereas the Pay operator currently requires from 70 to 100 new movies to fill his schedule. Thus, some three-quarters of the movies scheduled are of relatively low appeal. This is of critical concern to the subscription subscriber, who realizes that he is paying for them within his monthly fee. However, Pay operators could conceivably choose from up to the 250 new movies produced in Hollywood each year, including "Adult Only", plus a wider choice of non-US productions, on a selective or per-programme billing method. Thus, the Pay programmers base is greatly broadened and subscribers are more happy, and probably more numerous.

Observations indicate that as a rule of thumb, the majority of subscribers are happy to pay \$1.00 for every new movie scheduled per month on a subscription basis. But as the Columbus experience has shown, subscribers will pay up to \$3.50 per movie

viewed, an important fact, for it means that greater cash flows and profitability, can be generated through per-programme billing methods.

The other major element of Pay Television is distribution via broadcast signals, named STV (subscription television). Due to the much heavier cost factors involved, and compared to Pay Cable the slow growth of system technology, no STV system is yet in operation in the U.S. However, the FCC have granted four licenses, and other applications are pending. Thus, available technology and methodology, although having been experimented with during the past 20-odd years, has still to be proven viable in the field. What can readily be assumed is much higher capital cost requirements, the uncertainty of UHF delivery capabilities, and the restrictions brought about by a single channel delivery system. The latter may be alleviated by unknown degrees through the knowledge that most, if not all, STV systems developed will operate on a per-programme billing method.

The consensus of industry observers feel strongly that the prime consideration for Pay Television operators in the U.S. is the recognition that viewers will only subscribe to a system if it provides programming content of a sufficient balance and quality that they would choose to receive it elsewhere by paying considerably more for it. To provide a Pay service to a mass market, the essential ingredient must be high quality movie entertainment and popular sports events.

Current growth rates and subscriber acceptance levels of Pay Cable has ably demonstrated that there is a wide market for Pay Television services. The growth of Pay Television is seen to be constrained by the following features:

- | | |
|-----------------------------------|---|
| 1. <u>The Pay Operator</u> | His willingness to provide the service. |
| 2. <u>The Manufacturer</u> | His readiness to supply production line equipment at economical cost. |
| 3. <u>The Financial Community</u> | Their agreement to permit diversion of cash flow and readiness to produce equity and further financing when needed. |
| 4. <u>Regulatory Bodies</u> | The degree of flexibility they will permit in programme quality, and quantity, and the methods of distribution they will allow. |
| 5. <u>Programme Producers</u> | Their readiness to supply a steady flow of high quality programming at economic cost. |
| 6. <u>Labour</u> | Availability of labour for sales and installation of subscriber equipment. |

The number of the above components which can move in accord will dictate the growth rate and success of the Pay Television industry.

METHODS OF PAY TELEVISION SERVICE

There are three basic methods of distributing Pay Television.
These are:

1. Pay Cable Use of a dedicated channel to basic cable subscribers who have the opportunity of receiving or not special programming at either an additional monthly fee or on a per-programme basis.
2. Subscription Television Over-the-air broadcasting utilizing scrambler/de-scrambler security devices.
3. MDS Multi-Point Distribution Leased closed circuit channel to subscribers dwelling in apartment complexes, is not regulated by FCC.

Development status and operations, with particular reference to Pay Cable, are discussed in the following pages.

PAY CABLE

THE CABLE INDUSTRY IN THE U.S.A.

Cable Television has had a relatively slower growth in the United States as compared to Canada. This has been primarily due to the fact that U.S. Cable has had less alternatives or additional services to offer potential subscribers than has the industry in Canada.

As with Canada, in the U.S., both Cable Television and over-the-air broadcasting are regulated by a common Federal regulatory and licensing commission, in this case the FCC. The FCC has applied rules which specify, as follows, the package of commercial broadcast T.V. channels which cable operators are able to offer subscribers. Cable operators also in many instances carry non-broadcast channels with Pay Cable, local origination and public access programming, as well as non-commercial broadcast stations.

It is worthy of note that in the U.S., cable operators are permitted to sell advertising time on locally originated channels, and many national and local advertisers are experimenting with this new medium.

Typical Availability of T.V. Stations by Market Size

<u>Markets</u>	<u>Without Cable</u>	<u>With Cable</u>
Markets 1-50	3 network affiliates, often plus 1 independent	3 network affiliates, 3 independents and up to 2 additional imported independents.
Markets 51-100	3 network affiliates (including 1 or more U.H.F. Stations)	3 network affiliates, 2 independents, and up to 2 additional independents.
Markets 101 and smaller	2-3 network affili- ates (including 1 or more U.H.F. stations)	3 network affiliates and 2 independents
Outside defined Markets	1-2 network affili- ates (including 1-2 U.H.F. stations)	No restrictions.

Source: Arthur D. Little, Inc.

At present there are over 3,400 franchised cable systems serving the U.S. The average system has 3,130 subscribers, but however, as the following table documents, almost two-thirds of the systems operating have less than 2,000 subscribers. Seven percent of the systems provide service to 33% of all subscribers, while 23% of the systems provide service to 75% of subscribers.

Distribution of U.S. Cable Systems by Size

<u>System Size</u> (Number of Subscribers)	<u>Number of</u> <u>Systems</u>	<u>Percent of</u> <u>Systems</u>	<u>Percent of Subscribers</u> <u>Served</u>
20,000 & over	53	2	} 33 }
10,000-19,999	171	5	
5,000- 9,999	328	10	
3,500- 4,999	211	6	} 75 }
2,000- 3,499	474	14	
1,999 & under	2,139	63	
Not available	29	--	} 25 }

Sources: Television Digest & A.D. Little, Inc.

It is estimated that at the end of 1975, Cable systems in the U.S. were servicing some 10.8 million subscribers representing 15.4% of total television households. U.S. cable industry revenues for 1975 were estimated at \$740 million, based on an average subscriber rate (excluding Pay Cable charges) of \$6.00 per month.

Cable T.V. Subscribers & Revenues 1970-1985

Basic Cable (Omitting Pay Cable)

	<u>Subscribers</u> (Millions)	<u>Revenues</u>	(Average)
1970	5.3	\$ 300	(\$5.00 per month)
1975	10.8	\$ 740	(\$6.00 per month)
1980	15.17	\$1,300-1,500	(\$7.25 per month)
1985	20.26	\$2,000-2,700	(\$8.50 per month)

Source: A.D. Little, Inc.

Growth of the U.S. Cable Television Industry

<u>Year</u>	<u>Operating Systems</u>	<u>Subscribers At Year-End</u>	<u>Subscriber Growth Rate</u>	<u>Total TV Households</u>	<u>Cable Penetration</u>
		(mm)	(%/Year)	(mm)	%
1959	2,490	4.5	25	59.7	7.5
1970	2,639	5.3	18	61.6	8.6
1971	2,841	6.0	13	63.5	9.4
1972	2,991	7.3	22	65.6	11.1
1973	3,158	8.7	19	66.8	13.0
1974	3,366	9.8	13	68.5	14.3
1975	3,450	10.8	10	70.7	15.4
1980	3,800	15.7	7-10	77.6	20.22
1985	4,100	20.26	6- 9	84.8	24.30

Sources: Television Factbook, and A.D. Little, Inc.

By 1980, it is estimated that some 3,800 cable systems will be in operation, servicing between 7 and 10 million subscribers (about one in five TV homes), with revenues for basic cable service approximating \$1.4 billion.

As in many industries, some Cable operators control a multitude of systems. The U.S. Cable industry is no exception, with the top eleven operators controlling some 700 systems between them and in total servicing over 4.5 million (40% plus) subscribers.

Major Multiple Systems Operators, March, 1976

<u>Operator</u>	<u>Number of systems</u>	<u>subscribers</u>	<u>Penetration(%) of Homes of Homes Passed in Area</u>	<u>Subscribers per mile of cable</u>	<u>Approximate 1975 CATV Revenues (\$millions)</u>
TelePrompter Corp.	140	1,094,164	46	45	80
Tele-Communications Inc.	123	549,797	47	48	33
Warner Cable	140	531,486	53	50	38
American TV & Commun.	99	513,000	50	46	34
Cox Cable	36	394,000	52	51	29
Viacom Int.	(1)	324,000	53	65	24
Sammons Comm.	n.a.	277,000	63	54	16
Comm.Prop. Inc.	39	265,000	61	58	18
United Cable T.V.	29	205,305	55	51	12
UA-Columbia Cable	45	198,000	66	49	16
Cablecom-General	43	190,000	59	47	13
Subtotal (11)		4,542,630	55	51	
25 Largest		6,133,418	53	50	
50 Largest		7,418,716	53	49	
Industry Total		11,050,000 (Est.)			

(1) Clusters of systems on west coast, in Ohio and New York.

Sources: T.V. Digest, Annual Reports and A.D. Little Inc.

Some major FCC regulations affecting the cable TV industry in the U.S. are:

- : Signal importation; imported distant signals are generally limited to two independent stations in the top 100 markets. Leapfrogging restrictions have been recently removed, making distant signals importable from anywhere.
- : Nonduplication rules prevent simultaneous duplication of locally broadcast network and syndicated TV programmes by imported broadcast signal.
- : Copyright legislation is seen likely to pass in the near future, and will impose nominal copyright fees on cable systems for use of imported broadcast signals. After passage, the FCC is likely to relax restrictions on the importing of distant signals.
- : The FCC specifies minimum technical performance standards. Systems with 3500+ subscribers must provide composite public access channel and program origination equipment. Additional access channels must be made available contingent on demand and capacity. 20-channel and two-way capabilities are required in new major market systems. Existing systems with more than 3500 subscribers and not meeting these requirements must do so by 1986.

: The FCC, according to industry observers is likely to terminate rate regulation requirements within the next two years.

Similar to conditions in Canada, jurisdictional disputes between the FCC and state regulatory agencies are seen as likely to escalate. Key impact involves regulation of Pay Cable.

THE GROWTH AND STATUS OF PAY CABLE

The number of subscribers in the U.S. to Pay Cable has increased over 2,000 percent during the past three years, and at present, almost 14% of homes passed by basic cable subscribe to a Pay Channel(s). The current annual revenue from Pay Cable of the 253 operating systems is estimated at almost \$60 million.

Growth of Pay Cable in The U.S.

	<u>Systems</u>	<u>Subscribers</u>	
July 1973	20	35,000	} +2,089%
May 1974	45	66,900 +91%	
June 1975	75	264,575 +295%	
June 1976	253	766,100 +190%	

Source: Paul Kagan Associates

As of June 30, 1976, Pay Cable was operating in 253 systems. The service had been offered to 3.15 million Cable subscribers in areas where the Cable passes 6.9 million homes, or about one-quarter of the entire Cable industry, which has approximately 12.5 million subscribers in all.

Pay Cable service had been accepted by 766,100 subscribers as at June 30th, 1976. This is equal to 11.1% of homes passed by Cable and 24.3% of basic Cable subscribers. The average Pay Cable monthly rate was \$7.59.

Pay Cable Status As Of June 30, 1976

Number of Operating Systems	253
Homes Passed by Cable	6,873,733
Basic Cable Subscribers	3,150,357
Pay Cable Subscribers	766,100
Basic Cable Penetration of Homes Passed	45.8%
Pay Cable Penetration of Homes Passed	11.1%
Pay Cable Penetration of Basic Cable	24.3%
Average monthly rate for Basic Cable	\$6.66
Average monthly rate for Pay Cable	\$7.59

Source: Paul Kagan & Associates

Due to the rapid growth in the number of basic cable systems providing Pay Cable service to subscribers, the above table is somewhat misleading in terms of penetration levels achieved and rates charged. The following table summarizes the status of pay cable as of June 30th, 1976, of those systems that were operative March 31st, 1976, and also isolates the status as of June 30th, 1976 of those systems which commenced operations since April 1st, 1976.

Recent Changes In Pay Cable Status

Status Reported as of June 30th, 1976

	<u>Systems Operative as of March 31st 1976</u>	<u>Additional Systems Operative as of April 1st, 1976</u>
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Number of Operating Systems	194	59
Homes Passed by Cable	5,620,161	1,253,572
Basic Cable Subscribers	2,581,735	568,622
Pay Cable Subscribers	667,515	98,585
Basic Cable Penetration of Homes Passed	45.9%	45.4%
Pay Cable Penetration of Homes Passed	11.9%	7.9%
Pay Cable Penetration of Basic Cable	25.9%	17.3%
Average monthly rate for Basic Cable	\$6.67	\$6.62
Average monthly rate for Pay Cable	\$7.46	\$8.48

Source: Paul Kagan & Associates

It is of great interest to note the rapid market penetration levels achieved by the 59 new systems which came into operation between April 1st and June 30th. Already these systems have obtained two-thirds of the homes passed penetration level of the more mature systems, indicating the speed at which potential penetration levels can be accomplished.

The higher rate in the new system group (\$8.48 vs. \$7.46) is likely due to the heavy pay cable start-up schedule of the Teleprompter systems, most of which charge \$9.95 per month. Teleprompter accounts for 17 of the 59 systems in the new group, and for 35% of this group's pay cable subscribers.

By 1980, according to estimates prepared by Arthur D. Little, Inc., between 3 and 4 million homes will subscribe to Pay Cable, and produce between \$324 and \$432 millions in annual revenue, based on an average monthly rate of \$9.00.

The estimates for 1985 show between 5 and 7 million subscribers producing between \$660 and \$924 million at an average monthly rate of \$11.00.

A complete listing of cable systems providing pay cable service, together with details of affiliation, subscribers and rates, etc., is enclosed as Appendix i and ii.

REGULATORY ENVIRONMENT FOR PAY CABLE

Major regulations imposed by the FCC on Pay Cable includes:

- 1) Feature films must be within three years of first theatrical release, or (with qualification) over ten years old.
- 2) Complex restrictions on showing of sports events.
- 3) No more than 90% of programming can be films and sports combined.
- 4) No commercial advertising permitted.

The FCC rules restricting the availability of films and sports for pay cable programming are currently under appeal. Industry observers feel confident that the regulations affecting the use of movies between four and ten years old are likely to be terminated within two years.

METHODS OF PAY CABLE PROGRAMME DISTRIBUTION

There are three basic options for the cable operator who wishes to introduce Pay Cable service to his subscribers.

One choice is to programme the channel himself, negotiating direct with all or a variety of producers or their agents for product.

Another choice is to subscribe to one or more of the pay cable distributors or bookers, and either accept programme packages in whole or in part, or 'cherry-pick' when possible the best for his market. Programmes are usually delivered to him in the form of 3/4" videotapes.

The third choice, and now by far the most popular, is to become affiliated with a Pay Cable programme distributor, and accept his package in total, usually via satellite distribution, or a combination of satellite and microwave.

Obviously there are some exceptions to these three alternatives usually in the forms of modification or combination. Two distributors are now making extensive use of satellite feed to affiliated pay cable systems. These are Home Fox Office (New York), and Optical Systems (California). All other distributors and bookers utilize 3/4" videocassette distribution. Following is a list of Pay Cable distributors and bookers with their respective market share positions.

Pay Cable Distributors & Bookers

As of June 30th, 1976

	<u>Systems</u>	<u>Subscribers</u>	<u>Market Share</u>
			%
<u>Satellite Distributors</u>			
Home Box Office	156	474,759	62.0
Optical Systems	16	48,636	6.3
<u>Videocassette Distributors</u>			
Telemation Programme Services	38	176,062	23.0
Warner Star Channel	11	34,271	4.5
Pay T.V. Services	6	12,753	1.7
Best Vision	12	4,636	0.6
Home Entertainment	1	4,000	0.5
American TV & Comm.	2	3,200	0.4
CinemERICA	3	2,519	0.3
National Professional Services	3	2,111	0.3
Mahoning Valley	1	1,681	0.2
Twin County Trans-Video	1	750	0.1
Tele-Features	3	722	0.1
Total	253	766,100	100%

Source: Paul Kagan and Associates.

Home Box Office

HBO, a subsidiary of Time Incorporated, dominates Pay Cable distribution, having 156 of 253 pay cable systems as affiliates, who in turn represent 62% of all Pay Cable subscribers.

Particularly of interest is the fact that HBO has recently acquired control of their major competitor, Telemation Programme Services. Together the two companies distribute to 194 (77%) Pay Cable systems, representing 85% of all subscribers.

HBO, which commenced operations in 1972 by micro-waving programmes to one pay cable system in Wilmington, Delaware, now feeds by a combination of microwave and satellite.

Recently, HBO entered into a six year contract to lease two transponders from the RCA American satellite.

The HBO signal originating in New York, is first microwaved to the RCA ground transmitting station at Valley Forge, Pennsylvania. The reported cost of this link is \$25,000.00 non-recurring plus \$3,750.00 per month.

The cost breakdown of the six year contract with RCA is reported to be:

September - November 1975	\$45,000. monthly	(One Transponder)
December 1975 - December 1976	\$71,000. monthly	(Two Transponders)

January 1977-December 1977	\$100,000.monthly	(Two Transponders)
January 1978-June 1978	\$114,000.monthly	(Two Transponders)
July 31,1978-September 1980	\$145,000.monthly	(Two Transponders)
October 1980-August 1981	\$159,000.monthly	(Two Transponders)

Source: Arthur D. Little, Inc.

HBO supply to affiliates 12 hours of programming per day, of which an average 65% are movies, 25% sports and 10% are other variety and general interest programmes. Approximately 50% of the scheduled movies are repeats.

For their services, HBO are reported to receive on the average, about 12.5% commission on the Pay Cable subscriber rate. For example, an affiliate system charging \$8.00 per subscriber per month would pay HBO \$4.20 per subscriber per month for programming. HBO would retain \$1.00 and pass \$3.20 along to the programme suppliers.

Industry sources report however, that in a major endeavour to sign up more Pay Cable systems as affiliates on a five year contract basis, HBO have been willing to negotiate commission rates, and due also to the amount and variety of their programme schedule, have been losing money steadily with no turn-about envisaged in the foreseeable future.

Optical Systems

Optical Systems, based in Burlingame, California, have recently

commenced satellite programme distribution to most of their sixteen affiliated Pay Cable systems. Little is known of the cost structure of their system of distribution. Previously Optical Systems distributed programmes via videocassette to affiliated cable operators, and in some instances leased channels from cable operators and handled administration, marketing and programming themselves.

Optical Systems programme 90% movies, and 10% other entertainment programming. Their philosophy does not include sports, although exceptions are made. Due to their concerns over movie quality, they have recently cut back from scheduling at a rate of 104 original movies per year to 78.

Telemation Program Services

Telemation, recently purchased by HBO, acts as a film booking agent for Pay Cable operators. Telemation distributes movies on 3/4" Sony videocassettes, and takes between 10% and 15% commission on contracts between film suppliers and cable operators.

Other distributors and bookers listed at the front of this section operate in much the same fashion as Telemation. In the face of the popularity of distributors such as HBO and Telemation, Hollywood producers have become alarmed that such consolidated purchasing leverage would jeopardize future revenue prospects, and are, among other moves, actively

soliciting direct booking with Pay Cable operators.

Highlighting this concern was the move in 1975 by Columbia Pictures, who for six months denied sales of products to HBO. The problem was finally alleviated due to the pressures felt by HBO, when Time Inc., major owners of HBO, took a financial interest in Columbia.

SOURCES OF PAY CABLE PROGRAMMING

The basic ingredient of Pay Cable programming is movies, and most film distributors, with the notable exception of Walt Disney Productions, supply product for Pay Cable. Most active in support of the Pay Cable industry are the following suppliers:

20th Century Fox

MGM

Paramount (Gulf & Western)

Warner

Universal (MCA)

United Artists (Transamerica)

Columbia Pictures

Other independent and foreign movie suppliers.

It should be noted that movies released by suppliers to conventional Television networks and stations are not exclusive to them, and generally speaking the same titles are offered to Pay Cable distributors for play some three months prior to networks or syndicators.

Also active in Pay Cable programme supply are Sports Promoters, such as Madison Square Gardens and the Los Angeles Forum, and various Professional Sports Organisations.

Independent producers are also actively attempting to sell to the Pay Cable market.

A recent significant move, highlighting producers' interest in the Pay Cable market as a source of growing revenue, and emphasizing their concern that the Pay Television would attempt to consolidate movie purchase bargaining power through the formation of large distributors such as HBO, is the announcement of a joint venture between United Artists and 20th Century Fox of a full Pay Television distribution service called Hollywood Home Theatre (HHT), which will join in direct competition with others such as HBO, Optical Systems and Tele-mation Programme Services. HHT will provide a complete programme package, negotiate microwave, and even possibly operate one or more satellite channels.

Reportedly, HHT's initial move will be to join as a partner with Prism Television, a division of the Philadelphia Spectrum, which offers a regional Pay network to local cable operators, and soon expects to feed six to eight hours per day of sports and movies to their affiliates. This programme package will include major league baseball, basketball and hockey games.

SUPPLY OF PAY CABLE PROGRAMMING

Movies are the predominant source of Pay Cable programming fare, and there is concern among industry observers that insufficient numbers of suitable movies are being produced on an annual basis to meet current established requirements.

Another inhibiting factor in movie supply is the present FCC regulation that prohibits Pay Cable operators from showing movies that are between three and ten years from date of initial theatre release. This ruling is being appealed actively by both Pay Cable operators and producers, and many observers anticipate that the FCC will terminate such restrictions within the next two years.

Approximately 260 movies are produced in the U.S. on an annual basis. Of these, roughly 60 are considered unsuitable for Pay Cable release due to their pornographic or otherwise X-rated content.

Of the 200 remaining new movies, approximately one-half are considered playable movie fare that would attract pay cable subscribers. In fact, some operators feel that even this number is high, and consider that roughly 75 titles only should be used, the remainder possibly cheapening the product offering and thus restraining subscriber growth.

Foreign produced movies, with few exceptions, are not considered suitable by most Pay Cable operators.

Many industry participants and observers feel that the time is rapidly drawing near when Pay Cable will produce or co-produce movies themselves to alleviate foreseen shortages.

Sports are featured by the majority of Pay Cable operations as an important subscriber attraction. However, there are complex FCC regulations regarding sporting events that may be played by Pay Cable as a protection to conventional broadcasting networks and syndicators, which restricts the showing of many major league games, especially on a 'live' basis.

The FCC has also ruled that no more than 90% of Pay Cable programming can be movies or sports combined. In attempting to fill the remaining 10%, HBO as an example, obtained the rights to a Bette Midler special that was slated for network broadcast, and has run series that were originally produced for television networks or syndication. In addition, live performances of night club acts and concerts are taped especially for Pay Cable distribution, but costs are at present an inhibiting factor to this type of programming source.

EXAMPLES OF PAY CABLE PROGRAMMING

Movies form the basic content of Pay Cable programme schedules, which despite FCC rulings, at times exceed the 90% permissible level.

Theta Cable, of Los Angeles, California, which subscribes in part to the Telemation distribution service, in a period of six weeks, had 99% of programme content devoted to either first run or repeat movies on a per-play basis (see appendix iii). Of the 19 features scheduled in the period, 12 were for first run movies, six for repeat movies and one was a taped Special. Each of the first run movies received an average 9.9 plays, while each of the repeat movies were played an average 4.1 times. The Special received only a single play.

Theta Cable programmes its pay channel commencing at 7:00 p.m. Monday through Friday, running an average of three movies per night. On Saturdays and Sundays, five movies are shown commencing at 2:30 p.m. Each week, three separate movies are scheduled, two being first runs, and the other a repeat.

Thus Theta is scheduling original movies at the rate of 104 per year.

Telecinema, a system which operates four pay channels simultaneously to each of its 4,600 subscribers, had 96% of its features as movies during a one week period. 2.3% of features were specials, and 1.8% were sports (see appendix iv).

Of the 34 movies scheduled, 15 were general appeal movies, each receiving an average of 6.8 plays, seven were 'Adult Only' movies, each being played an average of 9.7 times, 10 were Family or children oriented movies at an average of four plays each, and two were foreign sub-titled movies at an average of 1.5 each.

Telecinema schedule approximately eight general appeal new movies per month, at a rate of 96 per year.

Home Box Office (appendix v) relies least on movies, scheduling them as 59% of its attractions, and 66% of its plays. In a one month period seven new movie titles were introduced, and 15 movie titles were replayed. On average, each of the former received 9.7 plays, while each of the latter received an average of 2.8 plays. In addition, five foreign subtitled movies received an average of three plays each, and five children's movies were played an average of 3.8 times each.

Twenty sports events, covering six different sports, were also scheduled, as were four Specials which each received an average of 2.8 plays each. Other programming included episodes of the Pallisers, which had been recorded for but not played over conventional television, and some educational and cartoon features for children. HBO also include promotional preview features of its following month's programme schedule.

At the rate of seven per month, HBO is scheduling 84 new movies per year.

THE COST OF PAY CABLE OPERATIONS

The Pay Cable operator is responsible for purchasing programmes, operating his system, and for all hardware associated with receipt of programmes and delivery to subscribers, including subscriber interface devices.

Should the operator be affiliated with one of the satellite distributors, his cost responsibility includes that of an earth receiving station (in some instances sharing such with other nearby operators), and if necessary the cost of the microwave link from the earth station to his head-end.

Costs of earth receiving stations for satellite feed have fallen sharply in recent months, costing about \$100,000.00 each in early 1976, and as of mid-summer 1976 averaging \$85,000.00 per unit. They are expected to cost in the neighborhood of \$50,000.00 by mid-1977. Scientific Atlanta, has supplied most of the 70 earth stations now installed, being constructed or pending to date. Other manufacturers include Andrew, R. F. Systems, and Radio Mechanical Structures. ITT Space Communications has announced its intention of entering this market, which is seen to have a potential in the U.S. by 1980 of between 300 and 500 earth stations.

Short-haul, Local Distribution Service (LDS) microwave systems are seen to be used increasingly to interconnect CATV head-ends in regional complexes. Theta-Com, of Los Angeles, with its AML system, is the major supplier to date.

Following is a breakdown of operating costs, estimated by A. D. Little, Inc., based on a typical Pay Cable operation with 10,000 basic subscribers and 3,000 pay cable subscribers.

Programming	50% (include distributor fee/commission)
Earth Station/Videocassettes	6%
Subscriber Interface Device	7%
Administration, Billing, etc.	6%
Marketing and Promotion	4%
Installation of Subscriber Interface	4%
Pre-Tax earnings	<u>23%</u>
	100%

N.B. Per \$1.00 of revenue.

THE COST OF PAY CABLE PROGRAMMING

Costs of individual movies, or packages of movies, depends largely upon negotiation between Pay Cable distributors and bookers and film distributors and producers, and is based mainly on the degree of theatre box-office success the movie obtained.

Costs are determined on the number of times a movie is to be played over Pay Cable, and the number of homes subscribing to the system(s).

As a general rule-of-thumb, the approximately cost per movie per subscriber runs between 2.7 cents and 4.5 cents per play.

Thus using 3.6 cents as an average, a movie could be purchased for \$2,520.00 for one original play and six repeats for play over a system(s) with 10,000 subscribers.

Naturally there are exceptions. "Gone With The Wind" for example, reputedly cost HBO and other Pay Cable purchasers in the region of 60-70 cents per subscriber for an average of ten runs, about double the normal costs.

Usually movies are booked on a per film basis, however, there may soon be a trend towards block booking, where producers would attempt to force sell low appeal movies with popular titles.

Little is known regarding the per-subscriber costs of sports programming, each event usually being negotiated separately, although HBO has entered into long term agreements with Madison Square Gardens and the Los Angeles Forum. It is likely that costs for sports events are on the average higher than for movies, especially for major attractions such as world title heavyweight boxing events.

PAY CABLE SECURITY SYSTEMS

Security of signal, that is, protection against non-paying homes tuning in to Pay Cable channels, is one of the major concerns of operators, and also a major cost overhead.

Precise figures as to the degree of pirating of pay cable channels is unknown, but industry practitioners estimate that it could run as high as 10% of paying subscribers.

There are a variety of security devices available to operators to protect against such fraud. Each system varies in cost and degree of protection. The most popular methods fall into the following categories:

Scramblers/De-scramblers: These are devices which encode the signal at the cable head end, with a complimentary device at the subscriber location to decode the signal. De-scramblers can be combined with converter boxes. Costs vary, with de-scramblers averaging \$55.00 per unit, and headend scramblers averaging \$500.00.

Major manufacturers of this type of equipment are:
Blender-Tongue, Jerrold, Magnavox, and Oak Industries.

Traps: Filters placed in a line or drop which blocks out signals of the Pay Cable channel for downstream non-paying subscribers.

Relatively secure and inexpensive (less than \$5.00 each) they are quick and easy to install. However, they are suitable only for private home subscribers, being inappropriate for multi-family and apartment homes.

Manufacturers include: Vitek, Coral Communications, GTE-Sylvania, Eagle Com-tronics, Hamlin and Pro-com.

Converters: The most simple access method, permitting subscribers access to the Pay Channel through a set top converter, is the least secure one due to the availability of converters through non-operator sources.

The principal manufacturers of converters include: Blender-Tongue, Jerrold, Magnavox, Oak Industries.

Addressable Taps: Still in the development stage and may be available in the late 70's. Individual taps can be turned on or off by signals from the head-end. To turn off pay channel a jamming signal is inserted into the tap so that the selected channel is unuseable.

Manufacturers are: Ameco, Delta Benco Cascade, Gamco Industries, Magnavox, Oak Industries.

Per-Program Charging: By modifying present set top converters to include a small transmitting device to enable head end to

monitor channel selections via two-way cable, this system eliminates need for security devices by billing for Pay Channel(s) used on a per-programme basis. Many systems tested but only one is in actual field use, manufactured by Coaxial Communications in Columbus, Ohio. A more detailed review on their system is included later in this report.

TEST

One of the newest systems, manufactured by Tanner Electronics of Northbridge, California, which combines the security elements of a scrambler/de-scrambler system with the simplicity of a tap system. An interference signal, jamming both audio and video, is inserted at head-end, and removed by a unit at subscriber's location. The cost of the subscriber unit is about \$5.00, and the jamming unit is said to be equally inexpensive. They can also be used just as effectively with apartment subscribers.

According to a census of 185 Pay Cable systems, conducted by Paul Kagan & Associates in March 1976, 86 systems used a converter or scrambler as their security device, 76 named traps, and 21 said they used a combination of both.

The questionnaire also asked for brand names of devices used. 130 systems responded as follows (note that more than one type of device is used in some systems):

BoxesTraps

Jerrold	61	Pro-Com	14
Oak	29	Coral	6
Digital	14	Vitek	5
Tocom	1	Microwave Filter	5
Hamlin	1	Hamlin	3
Own Manufacture	1	Magnavox	1
		Own Brand	5

Many industry observers feel that the most desirable interface-security device is Addressable Taps. This in turn permits per-programme charging instead of subscription billing, a method preferred by many operators but denied them due to technological and economic considerations. Addressable Taps, still in the experimental stage, could by the early 1980's revolutionize industry methods.

PAY CABLE BILLING AND RATES

There are three current methods of billing Pay Cable subscribers, the monthly subscription rate, which is by far the most popular, the per-programme method, and the inclusive system. Each of these is discussed in detail.

Subscription

Almost all Pay Cable systems operate under this method of billing. Subscribers, after paying an initial installation fee, ranging from \$10.00 to \$25.00, are billed at a monthly rate of between \$4.00 and \$10.00 while they continue to subscribe to the service. Service can be discontinued at any time at the subscriber's request.

In March 1976, P. Kagan and Associates, Inc., conducted an analysis of the pricing rates and penetration levels of 156 Pay Cable systems. The study found marginal differences in the degree of average penetration achieved according to price differentials. The lowest penetration levels occurred at either end of the price scale, and the highest average penetration levels occurred in the \$7.00-\$8.00 price range. The analysis indicates that consumer price resistance may well occur in the \$10.00 and up ranges.

<u>Price Level</u>	<u>Systems</u>		<u>Average Penetration of Homes Passed</u>
	<u>#</u>	<u>%</u>	
\$4.00	5	3.2	8.4%
5.00	10	6.4	10.3
6.00	31	19.9	11.8
7.00	28	17.9	12.3
7.50	2	1.3	14.6
8.00	40	25.6	13.9
8.50	7	4.5	10.5
9.00	17	10.9	11.3
10.00	<u>16</u>	<u>10.3</u>	<u>9.3</u>
	156	100.	

P. Kagan & Associates, Inc.

Per-Programme

There are only two Pay Cable systems utilizing this method of customer billing, one in Northampton, Pennsylvania, with 750 subscribers, and the other in Columbus, Ohio, with 4,600 subscribers.

A more detailed review of the operation of the latter is contained later in this report.

As the name suggests, the subscribers are billed for only those programmes they view over the Pay Cable channel. Charges can range from as low as 50¢ for a short movie or cartoon to \$3.50 for a popular feature movie, and occasionally as high as \$15.00 for a special event such as a telecast of a live heavyweight boxing title match.

Charges are not necessarily based on the per-subscriber cost negotiated with the programme distributor but on the foreseen

popularity and drawing power of the feature as estimated by the system programmer.

A distinct advantage of this method is that the system only pays the negotiated cost of the movie or event to the supplier based on the actual number of viewers, not subscribers. Thus a movie which received a low viewing level on a per-programme billing system could still be considered profitable to the operator, while a subscription billing operator would still be charged based on the total number of subscribers to his system regardless of how many actually viewed the programme.

Previously tried per-programme systems have all (with one exception - Telecinema in Columbus, Ohio) utilized one-way cable, and have experienced problems in determining on an on-going basis, which Pay programmes the subscribers actually viewed. Systems used either pre-sold cards or tickets which activated set top terminal devices, or had the subscriber call an operator who then transmitted a coded signal down the line to activate the terminal and permit the subscriber to view the programme. Both these methods require a fairly expensive home terminal, \$100.00 and up, and both are inconvenient to the subscriber. Both also suffered security problems, and neither readily permitted impulse programme buying by the subscriber.

An example of Per-Programme schedules and costs is included

in Appendix IV.

Inclusive

This method is again utilized by two systems, one in San Jose, California, and the other in Coral Springs, Florida.

By using this method, the Pay Cable channel is required to be taken by all subscribers of the basic cable service for no separate charge. Eliminated is the need for costly security interface devices and separate marketing and administration divisions.

In San Jose, the monthly charge is \$8.95 inclusive and \$2.00 of this is attributed to the Pay Channel for internal and supplier charging purposes. In Coral Springs, the monthly subscription is \$10.00 of which \$5.00 is attributed to the Pay Cable.

The San Jose system does not show any movies two nights per week, only programming during five evenings. During the two down nights, billboards advertising the current attractions are screened. Movies are staggered, so that a new one premieres each two weeks, and is paired with the previous two-week movie. Thus, this system operates on a schedule of only 26 new movies per year.

PAY CABLE CONNECT/DISCONNECT RATIOS

Disconnections are one of the biggest problems faced by Pay Cable operators, and can run as high as three times the rate as experienced by non-Pay Cable systems.

HBO claims that their disconnections are currently averaging between 20 and 25% per year, but acknowledge that it has been higher in the past. According to observations by A.D. Little, Inc., disconnects can be as high as 6% per month, or over 70% per year.

In Columbus, Ohio, observations by Telecinema, who operate a four channel per-programme billing system, indicate that disconnects are between 15 and 20% during the first three months of subscriptions, but that a proportion of these (approximately 25%) are retrievable through re-marketing.

Little hard information appears available on disconnects, as most operators are reluctant to discuss the subject, or do not keep track of the data. One exception has been Clar-O-View Community Television, of Bangor, Pennsylvania.

This system commenced marketing Pay Cable in December 1974, subscribing to the HBO programme service. The basic cable service passes some 3,000 homes, of which 2,400 subscribe at a rate of \$4.95 per month. From December 1974 to March

1976, a total of 414 subscribers signed for the Pay Cable HBO service, of which 256 were maintained and 158 (38%) disconnected.

The following Table demonstrates the number of months passed which current (as of March 1976) subscribers have belonged to the service and the proportions who disconnected.

	<u>Present Subscribers</u>		<u>Months Subscribed Before Disconnection</u>	
1 Month	4	1.45%	19	12.25%
2 Months	7	2.73	9	5.70
3 "	6	2.30	20	12.70
4 "	5	1.94	16	10.13
5 "	5	1.94	20	12.70
6 "	4	1.56	16	10.13
7 "	3	1.17	13	8.22
8 "	8	3.12	4	2.55
9 "	5	1.94	2	1.26
10 "	4	1.56	3	1.90
11 "	6	2.30	7	4.43
12 "	13	5.08	9	5.70
13 "	9	3.50	7	4.43
14 "	12	4.80	10	6.03
15 "	37	14.50	3	1.90
16 "	<u>128</u>	50.00	<u>0</u>	0.00
	256		158	

Of the 256 still subscribing to the Pay Cable system, 78% had done so for twelve months or more. However, of the 158 who disconnected, 72% did so within seven months of commencing the service.

Of the 158 who disconnected, 49% specified the following reasons:

Dissatisfied with Programme content	15%
(1) Answers involved money	23%
Moved or disconnected basic cable	11%
No reason supplied	51%

(1) This category consisted mostly of non-paying customers, roughly 16% of all disconnected and 6% of customers ever connected.

It should be noted that the above percentages do not necessarily represent industry averages, although some observers consider that they would be a fair reflection.

Another industry observer considered that about half of the customers who disconnected from Pay Cable service did so due to the quality of movies or other programming, and that a further quarter did so because the quality of programming did not match the standards they had been led to expect. The remaining quarter, he believes, probably did so due to poor reception or other technical problems. These figures exclude those who would have disconnected for any reason from the basic cable service.

PAY CABLE CUSTOMER PROFILE

Very little research appears to have been conducted to ascertain the type of people most likely to subscribe to Pay Cable. The following profile has been compiled from the variety of sources and observations.

The typical Pay Cable customer is:

- : More likely to reside in larger urban/suburban areas.
- : An above average television viewer.
- : Aged between 25 and 40 with children.
- : Lower middle to upper middle income.
- : Entertainment conscious/sports oriented.

The number of "free" television signals available to potential subscribers does not appear to detract from the degree of Pay Television penetration levels achieved. Indeed, on the average, higher penetration levels are recorded in areas where a high number of television signals are able to be received.

As one industry participant observed, "Where Cable TV is a necessity, Pay Cable penetration is lower than average."

In more densely populated urban areas of the United States, which do enjoy a wider choice of conventional television channels, Pay Cable has achieved higher levels of penetration

among basic cable subscribers. It is felt that these urban dwellers are more entertainment conscious, have higher levels of disposable income, and welcome Pay Cable as a means of viewing recent movies, due to the high cost, difficulties and on occasion, likelihood of personal danger involved in viewing them at downtown theatres.

PAY CABLE VIEWING LEVELS

Due to the relatively low penetration levels of both basic Cable and Pay Cable, both U.S. audience measurement organisations, the American Research Bureau (ARB) and the A.C. Neilsen Company, have encountered many problems in defining cable viewership and do not attempt measurement on an on-going basis.

A special study, however, conducted by ARB in Nassau County, New York, disclosed that the local affiliate of HBO, among subscribers to the Pay Cable system, had a share of total television viewing of 20%, considered extremely high in this well served television market.

Another special study, conducted privately by A. C. Neilsen, in San Diego, California, disclosed that viewing to Pay Cable channels was usually additional to normal television viewing, and that Pay Cable did not detract from conventional viewing habits.

It should be borne in mind that neither of these studies have been made public and details remain unknown.

Not all Pay Cable subscribers naturally, view Pay Cable to the same degree. Analysis conducted by Telecinema, of Columbus, Ohio, who operate on a per-programme charging system, indicate

that typically, about 45% of their subscribers contribute some 20% of revenue, while 55% contribute 80%. A large proportion of subscribers do not view Pay Cable in any given month.

TWO-WAY PAY CABLE OPERATIONS

Two Pay Cable systems in operation utilize per-programme charging methods. This section of the report takes an in-depth look at one of them, Coaxial Communications, Inc., of Columbus, Ohio, which has been experimenting with two-way cable.

In the past many systems had experimented with two-way cable, but one of the greatest difficulties experienced was that of noise interference of the return signal due to the many connections necessary in the upstream lines, making identification of the signal in many instances impossible. In addition, cost factors appeared prohibitive, with upstream amplifiers adding about \$2,000.00 per mile to the cost of a one-way system, and the home terminals necessary on an interactive two-way system costing between \$150.00 and \$200.00, as each terminal had to include a transponder to answer a coded interrogation from the central computer located at the head-end.

However, Coaxial, through its R & D subsidiary Coaxial Scientific Corp., of Sarasota, Florida, has apparently overcome both these problems.

Each subscriber home is supplied with a terminal which is a modified standard 26 channel converter to which has been added a micro-powered transmitter that signals back to the computer

indicating whether the set is turned on and to which channel it is tuned. The transmitter in each home, in each given section of the system, operates on a slightly different frequency from all others in the area.

In addition, for subscriber security reasons, each terminal is equipped with a removeable key which must be turned on to enable the Pay Channels to be viewed. All other television channels are available to the viewer in either position of the security Key.

Up to 200 subscriber homes in each designated area are connected to a distribution line, which is subsequently joined with a trunk line. At the point where the distribution line connects with the trunk line, there is a code operated switch (COS).

When the computer located at the central office commences an interrogation sweep, it sends a coded digital signal down the system which closes each COS switch in turn for a fraction of a second. While the COS switch is closed, it enables the upstream signals returning from the subscriber homes in that particular section to flow back to the data receivers in the central office to be analyzed and stored by the computer.

When the data from all homes connected to the first COS has been logged, the computer sends out another signal which opens

the switch for that section, and closes the switch for the next COS section to be scanned, and so on throughout the whole system until all homes connected have been monitored.

At present, the Columbus system, called Telecinema, has about 5,000 homes connected to its Pay Service, and can scan each subscriber home about once in every three seconds.

Once the computer has stored the data from all of the subscriber homes, it computes and on request prints the number and percentage of sets tuned to each channel. The computer retains in memory which Pay programmes the subscriber has watched during the preceeding month, and then batch processes individual subscriber billing data from which monthly invoices are prepared, itemizing date, time, title and cost of Pay programme viewed.

This two-way system developed by Coaxial appears to have many advantages over previous models. First, since only up to 200 subscriber homes are transmitting back to the data receiver at any one time, the noise interference and signal identification problem is greatly reduced. Also a breakdown of one COS switch only interrupts scanning for a short period of time for relatively few homes instead of the entire system.

Secondly, the home terminals are relatively inexpensive, as they do not have to incorporate a costly transponder device, instead

oscillator and signalling circuits. The modified terminals, which permit viewers to choose between four Pay Channels programmed by Coaxial in addition to twelve non-Pay channels, cost about \$60.00 each. Coaxial consider that modifications for a One Pay Channel system could bring the cost of the terminal to about \$30.00 each.

In addition, the converters and return amplifiers can be utilized to inexpensively add services such as burglar alarms, fire alarms, opinion polling, etc. Also, due to its nature, the system can supply constant television audience measurement information, and be used as a base for many marketing/advertising research projects.

Coaxial claims that any one-way system, utilizing the two-way cable along its lines, can be converted to a two-way system such as theirs for a cost of about \$200.00 per mile, as compared with \$2000.00 per mile for adding video quality return path amplifiers to existing one-way systems.

Coaxial utilizes a mini-computer, costing about \$30,000.00, to store and analyze data. Together with a high speed print-out terminal, and the data receiver bank, the return signal equipment could be installed at less than \$60,000.00.

As previously indicated, Coaxial's Telecinema Pay Cable system

utilizes four separate Pay Cable Channels, each channel being programmed simultaneously. Programming commences at 1:00 PM, Mondays through Fridays, 10:00 AM on Saturdays and 11:00 AM on Sundays. An example of the features offered appears in Appendices IV.

In the period of one week, Telecinema scheduled forty features of which fifteen were general release movies, ten were family or children's movies, seven were Adult Only movies, two were Foreign movies, two were Specials and four were Sports events.

Telecinema requires a \$38.50 deposit for the terminal from subscribers, and charges a \$15.00 installation fee, which is frequently refunded should the subscriber remain connected for a minimum of three months. A monthly service fee of \$3.00 is charged regardless of the amount of viewing to the Pay Channels by the subscriber.

The average amount billed to each subscriber totalled approximately \$10.50 per month, March through July, 1976. The breakdown of billing approximated:

Regular movies:	\$4.50
Adult movies:	2.00
Other Programmes:	1.00
Service Charge:	<u>3.00</u>
	\$10.50

Typically, about 45% of subscribers each month view less than

\$3.00 worth of Pay programming, and contribute about 20% of monthly Pay revenue.

PAY CABLE MARKETING AND PROMOTION

The usual procedure for introduction of Pay service to a cable system's subscribers incorporates the use of a special free preview screening over a period of about four weeks, in conjunction with mail and telephone initial contact supplemented by salesman visits to prospective customers.

Some mass media advertising is conducted to reach consumers who do not subscribe to the basic service, in an effort to connect them with the additional option available. It is estimated, however, that introduction of a Pay service only minimally increases basic cable penetration.

According to one industry spokesman, it costs about one-tenth the amount to connect a basic cable customer to Pay Cable than it does to connect a non-cable home to the basic cable service.

Another spokesman estimated that it costs anywhere from \$5.00 to \$30.00 to connect a basic cable subscriber to Pay Cable service.

An important factor is the inherent danger of overselling the subscriber. The large degree of disconnects within the first six months of service noted previously, has been attributed to, in large part, the subscriber anticipating a higher quality of programming than he actually received.

Disconnects can be costly, both in terms of administrative expenses and that re-sale to the customer is difficult. The word-of-mouth publicity resulting from a disgruntled ex-subscriber can also be damaging.

On-going promotion to maintain subscribers is an important factor. This can take the form of pre-viewing coming attractions, either on-air or through a monthly programme guide magazine, or (as is often the case) a combination of both.

The programme guide magazine, used widely by Pay Cable operators, is usually mailed to subscribers, free of charge, about one week prior to commencement of the following month's programme schedule. In addition, it is frequently used as part of an on-going new subscriber sales endeavor.

Example of programme guide magazines are appended to this report.

FUTURE OPTIONS FOR PAY CABLE

Many industry observers feel that future developments for Pay Cable will feature dedicated channels by interest group. For example, one channel or more will exclusively feature movies, another sports, another variety, etc.

Subscribers would select to subscribe to one or more channels depending on their preferences.

Before such an eventuality however, operators must increase their degree of market penetration, both in terms of homes passed and connected, and proportions of Pay Channel subscribers.

The probably introduction in the early 1980's of per-programme billing operation will mean either the large scale introduction of addressable taps through present one-way cable systems, or the use of two-way cable. The latter is a distinct possibility, particularly in the light of FCC specifications that 20 channel and two-way capabilities are required in new major market systems, and existing systems with more than 3500 subscribers and not meeting these specifications presently must do so by 1986.

The introduction of two-way cable capacity provides the cable operator with a host of other pay opportunities, including services such as alarm systems, catalogue shopping, polling, etc.

As noted previously, it is foreseen that Pay Cable operators could well commence co-production of movies in the near future to overcome foreseen shortages of quality products.

SUBSCRIPTION TELEVISION (STV)

Subscription television is essentially similar to Pay Cable with the exception that signals are broadcast over-the-air, and received via normal household antennae. The signals are scrambled at the transmitter, and de-scrambled by a unit installed at the subscriber location.

Major suppliers of STV include Blonder-Tongue with its BTVision system and American Subscription Television with its Teleglobe system. Numerous arrangements are said to exist between STV companies and UHF stations to seek FCC authorisation of STV services.

Six companies have now developed STV systems that have received FCC approval. These are:

<u>Manufacturer:</u>	<u>System Name</u>
Zenith Radio Corporation	Phonevision
Blonger-Tongue Laboratories, Inc.	#4745 BTVision
Teleglobe, Inc.	#410
System Development Corp.	SDC Pay TV System
Oak Industries, Inc.	Model one
Pay Television Corp.	PTV System - 3

The latest entry, the Pay Television Corporation's PTV System, which operates on a per-programme charging basis, and which was refined by Electrohome of Canada, has just recently been introduced.

The subscriber terminal, which weighs about 8 lbs, and measures approximately 8" x 12" x 5", is activated by an IBM card capable of handling up to 160 programme selections per month. The terminal box identification codes vary so that each card issued fits only one box for one month in a specific area. A switch connects the subscribers set to a UHF antenna, at the same time disconnecting VHF. There is a special option available that would permit the viewer to switch back and forth from STV station to VHF channel. Further options include a pre-pay system that enables the subscriber to order a programme in advance and receive it at the designated time, and a 3 Pay channel system. To operate, the subscriber inserts the IBM card, using a sliding device to pick the chosen programme number, and rotates a select knob to complete the transaction. At this point, the IBM card is punched to note which programme was selected. At the end of the month, the subscriber mails back the IBM card to the Pay operator, who tallies it and sends back an invoice.

On initial installation, the installer delivers the decoder to the viewer, connects it to the antenna terminals behind the TV set, and supplies the subscriber with the monthly programme guide and first IBM card. Should the Pay operator wish to disconnect a decoder for non-payment or any other reason, he simply refuses to supply the subscriber with a new card, and collects the decoder at his leisure.

At the TV transmitter, the video is scrambled, and the audio is

replaced with a message to viewers explaining how the system operates, the composition of the programme schedule, and how the viewer can become a subscriber.

The estimated cost of this subscriber terminal is \$115.00. The options for pre-pay, switching and a 3 channel would add \$10.00 to \$15.00. The terminals will be owed by the local Pay operators. Cost of scrambling device is unknown.

Due essentially to the cost of the security systems involved, no broadcaster has yet commenced Subscription Television service. However, the FCC has granted several licenses to operate, and one operator, TAT Communications, is said due to commence service shortly in the Los Angeles area, broadcasting a UHF signal over channel 22. Other licenses have been granted for Newark, (New Jersey), Boston, and Milwaukee.

The following is the status of those license applications for STV that have either been approved or denied by the FCC, or are still pending.

<u>City</u>	<u>Channel</u>	<u>Affiliate</u>	<u>System</u>	<u>Status</u>
Philadelphia	57	American STV	Teleglobe	Pending
Detroit	20	None	None	Dismissed
Boston	68	Blonder-Tongue	BTVision	Granted 3/73
Chicago	38	Pay TV Corp.	Zenith	Withdrawn
Philadelphia	57	None	None	Pending

Newark, New Jersey	68	Blonder-Tongue	BTVision	Granted 7/72
San Francisco	26	Pay TV Corp.	SDC	Hearing
Coruna, Calif.	52	Pay TV Corp.	Zenith	Withdrawn
Milwaukee	24	American STV	Teleglobe	Granted 6/73
Los Angeles	22	American STV	Teleglobe	Granted 11/74
San Francisco	20	Blonder-Tongue	BTVision	Hearing
Baltimore	54	Blonder-Tongue	BTVision	CP Deleted
St. Louis	24	Blonder-Tongue	BTVision	Pending
Dallas	27	Blonder-Tongue	BTVision	Pending
Washington DC	50	American STV	Teleglobe	Pending
Washington DC	20	Blonder-Tongue	BTVision	Pending
Forth Worth	21	American STV	Teleglobe	Pending
Chicago	44	None	None	Pending
Coruna, Cal.	52	World Pay TV	Oak	Pending

Source: FCC.

Under the FCC's 1970 STV rules, only one STV station is permitted per market, and only in markets where there are four other stations providing commercial programming. This limits STV transmissions to the following markets:

Altanta	Hartford	New York
Baltimore	Honolulu	Norfolk
Boston	Houston	Philadelphia
Buffalo	Indianapolis	Phoenix
Charlotte	Kansas City	Portland, Ore.
Chattanooga	Las Vegas	Sacramento
Chicago	Los Angeles	San Antonio
Cincinnati	Louisville	San Francisco
Cleveland	Miami	St. Louis
Dallas	Milwaukee	Seattle
Denver	Minneapolis	Tampa
Detroit	New Orleans	Washington, DC

TAT Communications were reluctant to talk about the operations

of their system, which has been designed by Teleglobe. However, it is understood that it will operate on the basis of the subscriber telephoning to a central location to order required viewing, the operator then activating the subscriber de-scrambler via a coded signal at the appropriate time. The system will probably operate under a per-programme charging system with a minimum monthly charge.

Subscriber de-scrambler costs are reported to be in the area of \$125.00 per unit, while transmitter scramblers cost \$25,000.00 plus.

MULTI-POINT DISTRIBUTION

MDS is essentially Pay Cable to apartment complexes in local urban areas. However MDS is licensed by the FCC as a common carrier, and does not abide by rules governing the operation of Pay Cable.

MDS is a microwaved signal transmitted from a special antenna to receivers on selected apartment buildings, then fed through to tenant subscribers. In some instances all tenants receive the Pay Channel, the cost of which is included in monthly rent. In most cases however, the tenant elects to subscribe for a separate monthly fee. In some instances MDS service is originated within the apartment complex, the operator purchasing cassette tapes from conventional sources.

The Pay Channel is leased to operators, who programme it in a similar fashion, and from the same sources, as Pay Cable. As the Pay Channel is not covered in such instances by FCC regulation, some operators attempt to sell advertising time.

As of June 30, 1976, 29 MDS systems were operating in apartment complexes (not served directly by Cable Systems) in 22 different markets. MDS had been offered to 133,760 apartment units and had been accepted by 28,260 (21.1%). The average monthly charge was \$10.12, with individual rates running between \$7.00 and \$12.00. Details of each system are contained in Appendix VII.

APPENDICES

**STATUS REPORT AS OF JUNE 30, 1976, OF THOSE PAY-CABLE SYSTEMS
THAT WERE OPERATING ON MARCH 31, 1976**

System & Affiliation	Date Pay Began	6/30 Pay Subs	Homes Passed (000)	% Pay Pen.	Pay TV Rate (mo.)	Pay TV Revenue (mo.)	Basic Cable Subs	% Pay Pen.	Basic Cable Rate (mo.)
Albany, NY (HBO)	2/76	7,000	25	28.0%	\$ 7.95	\$ 55,650	20,000	35.0%	\$ 7.00
Allentown, PA (HBO)	1/73	4,200	97	4.3	6.00	25,200	55,000	7.6	5.50
Alton, IL (TPS)	9/75	2,265	24.5	9.2	6.95	15,742	4,275	53.0	5.75
Amsterdam, NY (HBO)	4/75	950	10	9.5	6.00	5,700	6,700	14.2	6.95
Anderson, SC (PTV)	2/75	830	7.2	11.5	3.75	3,113	1,900	43.7	5.95
Atlanta, GA (TPS)	1/76	2,200	24	9.2	8.00	17,600	3,600	61.1	7.00
Bakersfield CA (STAR)	12/75	7,645	51.7	14.8	6.95	53,133	30,637	25.0	7.00
Bangor, PA (HBO)	12/74	260	3.1	8.4	7.00	1,820	2,424	10.7	4.95
Beacon, NY (HBO)	6/74	1,171	10.2	11.4	7.00	8,197	7,183	16.3	7.00
Bellaire, TX (BEST)	9/75	1,057	6	17.6	4.95	5,232	1,476	71.6	7.50
Bennington, VT (HBO)	3/76	642	4.6	14.0	7.50	4,815	3,072	17.3	6.50
Binghamton, NY (HBO)	1/75	3,094	40	7.7	7.00	21,658	23,072	13.4	5.75-6.50
Bloomington, MN (TPS)	12/75	939	21	4.5	6.00	5,634	1,743	53.9	6.50
Bradford, PA (HBO)	9/73	1,090	7.1	15.3	6.00	6,540	7,112	15.3	6.50
Brookhaven, NY (HBO)	9/74	7,898	43.8	18.0	8.00	63,184	26,606	29.6	6.50
Buffalo, NY (HBO)	6/75	12,000	75	16.0	8.00	96,000	32,000	37.5	6.50
Burlington, NJ (HBO)	9/74	2,380	17.1	13.9	10.00	23,800	4,930	48.3	7.50
Burlington, VT (HBO)	12/75	1,900	16	11.9	8.00	15,200	11,700	16.2	6.28
Canandaigua, NY (HBO)	11/75	840	6	14.0	8.00	6,720	2,800	30.0	6.95
Canonsburg, PA (CINE)	8/75	300	7	4.3	5.95	1,785	3,300	9.1	5.00
Carbondale, PA (HBO)	8/75	500	5	10.0	7.00	3,500	3,000	16.7	7.00

System & Affiliation	Date Pay Began	6/30		Homes Passed (000)	% Pay Pen.	(mo.)		Pay TV Revenue (mo.)	Basic Cable Subs	% Pay Pen.	Basic Cable Rate (mo.)
		Pay Subs				Pay TV Rate					
Columbus, OH (TPS)	⊕ 6/73	4,600	60	7.7%	Per pgm*	\$ 43,000	24,000	19.2%	\$ 6.50		
Concord, CA (100)	8/74	3,921	28.9	13.6	\$ 8.95	35,093	24,700	15.9	5.45		
Coos Bay, OR (STAR)	5/73	786	12.4	6.4	6.00	4,716	8,867	8.9	7.00		
Coral Springs, FL (NPS)	9/75	670	1.6	41.9	5.00	3,350	1,000	67.0	5.00		
Cordova, AK (BEST)	12/75	125	0.5	25.0	6.00	750	480	26.0	17.00		
Corning, NY (HBO)	2/74	1,461	11	13.3	7.00	10,227	10,369	14.1	5.50		
Coronado, CA (100)	5/76	574	6	9.6	9.75	5,597	3,276	17.5	6.50		
Cortland, NY (HBO)	10/75	1,082	8.3	13.0	6.95	7,520	7,200	15.0	5.50		
De Kalb County, GA (PTV)	7/73	5,300	53	10.0	3.75	19,875	9,400	56.4	6.95		
Des Moines IA (HBO)	⊕ 3/76	7,036	72.5	9.7	8.00	56,288	20,237	34.8	8.00		
Dover, NJ (HBO)	7/75	6,250	28	22.3	8.00	50,000	15,000	41.7	6.00		
East Orange, NJ (HBO)	9/75	9,000	43.5	20.7	8.00	72,000	10,000	90.0	6.50		
East Syracuse, NY (HBO)	5/75	4,519	36	12.6	7.00	31,633	16,307	27.7	6.00		
Easton, PA (100)	7/73	850	28	3.0	6.00	5,100	23,000	3.7	5.50		
Eatontown, NJ (HBO)	12/75	1,400	9.5	14.7	8.00	11,200	3,100	45.2	5.00		
El Paso, TX (HBO)	3/76	4,400	80	5.5	9.95	43,780	25,000	17.6	7.00		
Elizabeth, NJ (HBO)	3/76	853	19	4.5	8.00	26,824	3,548	24.0	6.00		
Elmira, NY (HBO)	9/75	3,800	25	15.2	7.95	30,210	23,000	16.5	5.75		
Emmaus, PA (HBO)	6/74	439	5.4	8.1	6.00	2,634	4,600	9.5	5.50		
Escondido, CA (TPS)	1/74	2,448	36.8	6.6	8.50	20,808	26,231	9.3	7.00		
Eugene, OR (HBO)	⊕ 12/75	5,000	51	9.8	9.95	49,750	33,000	15.2	7.00		
Evergreen, CO (BEST)	4/76	145	1.2	12.1	5.00	725	500	29.0	9.00		
Fairmont, WV (HBO)	⊕ 12/75	1,200	10	12.0	9.95	11,940	9,500	12.6	5.00		

Appendix i Cont'd.

System & Affiliation	Date Pay Began	6/30 Pay Subs	Homes Passed (000)	% Pay Pen.	Pay TV Rate (mo.)	Pay TV Revenue (mo.)	Basic Cable Subs	% Pay Pen.	Basic Cable Rate (mo.)
Falls Township, PA (HBO)	1/76	1,400	8	17.5%	\$ 8.00	\$ 11,200	3,080	45.5%	\$ 7.00
Fayetteville, AR (STAR)	10/73	920	11.7	7.8	6.00	5,520	10,716	8.6	5.75
Flint, MI (100)	8/74	2,200	45	4.9	8.95	19,690	22,000	10.0	5.00
Ft. Lee, NJ (HBO)	10/75	2,200	12	18.3	9.00	19,800	4,500	48.9	7.00
Ft. Pierce/Vero, FL (HBO)	9/75	4,947	30.6	16.2	8.00	39,576	20,894	23.7	6.50
Ft. Smith, AR (HBO)	11/75	3,971	28.4	14.0	8.00	31,768	18,020	22.0	5.75
Fountain Hills, AZ (T-F)	12/75	66	0.6	10.2	10.00	660	300	22.0	7.50
Fremont, CA (TPS)	1/76	2,122	19.5	10.9	8.00	16,976	5,332	39.8	6.95
Fridley, MN (TPS)	10/75	432	8.7	5.0	8.50	3,672	850	50.8	7.50
Fridley, MN pay-only (TPS)	10/75	506	8.7	5.8	9.95	5,035	-	-	-
Gadsden, AL (HBO)	1/76	1,000	16	6.3	9.95	9,950	13,000	7.7	7.00
Galveston, TX (HBO)	2/76	2,250	22	10.2	9.95	22,388	11,000	20.5	7.00
Gloucester City, NJ (HBO)	3/75	1,200	7	17.1	8.00	9,600	2,000	60.0	6.00
Grand Rapids, MI (TPS)	4/76	985	18	5.5	8.00	7,880	8,400	11.7	6.00
Great Falls, MT (HBO)	1/76	2,000	22	9.1	9.95	19,900	14,000	14.3	7.50
Harlingen, TX (NPS)	12/75	1,025	50	2.1	7.00	7,175	20,000	5.1	5.95
Harrisburg, PA (100)	7/73	2,700	61	4.4	8.95	24,165	35,655	7.6	5.95
Haverstraw, NY (HBO)	9/74	904	10.9	8.3	10.00	9,040	4,804	18.8	7.50
Hawkinsville, GA (PTV)	2/76	228	1.9	12.3	5.00	1,140	1,684	13.5	6.95
Hayward, CA (HBO)	3/76	4,834	26.7	18.1	9.95	48,098	10,239	47.2	7.40
Hazleton, PA (HBO)	4/73	1,400	17.5	8.0	6.00	8,400	12,000	11.7	6.00
Hilo HI (CINE)	10/74	1,450	11	13.2	8.00	11,600	5,500	26.4	8.00
Holyoke, MA (HBO)	3/76	2,102	19.7	10.7	6.00	12,612	7,565	27.8	7.00
Honolulu-Oceanic (TPS)	10/74	9,281	71.3	13.0	8.00	74,248	19,856	46.7	7.75

System & Affiliation	Date Pay Began	6/30 Pay Subs	Homes Passed (000)	% Pay Pen.	Pay TV Rate (mo.)	Pay TV Revenue (mo.)	Basic Cable Subs	% Pay Pen.	Basic Cable Rate (mo.)
Honolulu County (TPS)	11/75	4,400	28	15.7%	\$ 8.00	\$ 35,200	15,000	29.3	\$ 6.00
Huntington, NY (HOME)	4/75	4,000	38	10.5	8.95	35,800	15,000	26.7	6.00
Idyllwild, CA (BEST)	11/75	100	1	10.0	4.95	495	750	13.3	8.50
Ilion, NY (HBO)	11/75	650	11.5	5.7	9.95	6,468	9,000	7.2	5.50
Independence, MO (TPS)	10/75	1,200	18	6.7	8.00	9,600	4,500	26.7	6.50
Islip/Babylon, NY (HBO)	10/73	3,250	20	16.3	8.95	29,088	8,000	40.6	7.00
Ithaca, NY (HBO)	10/73	1,503	15	10.0	6.00	9,018	15,500	9.7	4.50-6:00
Jackson, MS (HBO)	⊕ 9/75	4,800	21	22.9	6.95	33,360	6,000	80.0	5.50
Jackson, TN (CINE)	7/75	769	17	4.5	6.00	4,614	8,500	9.0	8.50
Jamestown, NY (HBO)	8/75	1,500	16	9.4	7.95	11,925	14,000	10.7	7.95
Johnstown, NY (HBO)	8/75	1,113	10	11.1	6.95	7,735	6,271	17.7	5.00
Kansas City, KS (TPS)	11/75	1,736	25	6.9	7.95	13,801	6,052	28.7	5.95
Kingston, NY (TPS)	2/76	701	16	4.4	8.00	5,608	12,000	5.8	7.0
Kingwood, TX (BEST)	11/75	460	1.2	38.3	6.00	2,760	900	51.1	5.95
Kona, HI (BEST)	12/75	447	6	7.5	6.95	3,107	2,346	19.1	10.00
La Crosse, WI (HBO)	2/76	750	17.5	4.3	9.95	7,463	9,000	8.3	7.00
Lansford/Palmerton, PA (HBO)	6/73	1,050	19.5	5.4	6.00	6,300	17,500	6.0	5.45
Laredo, TX (HBO)	⊕ 11/75	3,806	17.2	22.2	8.00	30,448	12,401	30.7	6.00
Lauderdale Lakes, FL (NPS)	11/75	416	6	6.9	7.00	2,912	1,362	30.5	4.95
Liberty, NY (HBO)	11/75	450	3	15.0	8.00	3,600	3,300	13.6	6.95
Long Beach, CA (TPS)	3/73	1,421	39	3.6	8.50	12,079	6,989	20.3	7.00
Long Island, NY (HBO)	7/74	64,000	175	36.6	7.00	448,000	64,900	98.6	7.00-10.00
Los Angeles, CA (TPS)	4/74	33,000	250	13.2	8.95	295,350	79,000	41.8	8.45

Appendix i Cont'd.

System & Affiliation	Date Pay Began	6/30 Pay Subs	Homes Passed (000)	% Pay Pen.	Pay TV Rate (mo.)	Pay TV Revenue (mo.)	Basic Cable Subs	% Pay Pen.	Basic Cable Rate (mo.)
Macon, GA (TPS)	1/76	3,000	43	7.0%	\$ 8.00	\$ 24,000	20,700	14.5	6.00
Mahanoy City, PA (HBO)	4/73	1,200	17.5	6.9	6.00	7,200	12,500	9.6	5.00
Martinez, CA (100)	9/75	2,120	28	7.6	9.75	20,670	22,371	9.5	6.63
Missoula, MT (HBO)	⊕ 3/76	1,250	16.5	7.6	9.95	12,438	10,000	12.5	7.50
Mobile, AL (HBO)	⊕ 12/75	4,500	30	15.0	9.95	44,775	13,000	34.6	6.35
Monterey, CA (100)	7/75	1,910	14.7	13.0	9.75	18,623	12,662	15.1	6.95
Monticello, NY (HBO)	11/75	650	4	16.3	8.00	5,200	3,500	18.6	6.95
Morristown, NJ (HBO)	5/75	5,673	25.1	22.9	8.00	46,104	8,468	68.1	7.00
Mt. Carmel, PA (HBO)	2/74	240	4.8	5.0	6.00	1,440	3,500	6.9	5.00
Mt. Kisco, NY (HBO)	11/75	1,200	4.1	29.3	7.95	9,540	1,800	66.7	6.95
Mt. Vernon, NY (HBO)	10/73	1,800	8	22.5	8.95	16,110	2,500	72.0	7.00
Muskegon, MI (TPS)	4/76	721	31.3	2.3	8.00	5,768	13,731	5.3	6.00
Myrtle Cr-Winston, OR (BEST)	9/75	435	4	10.9	4.95	2,153	2,400	18.1	7.50
Nazareth, PA (HBO)	6/83	325	4.3	7.6	6.00	1,950	2,300	14.1	5.00
New York-Teleprompter (HBO)	6/75	10,500	225	4.7	10.00	105,000	55,000	19.1	10.00
New York-Time Inc. (HBO)	10/74	30,000	240	12.5	9.00	270,000	80,000	37.5	10.00
Newburgh, NY (HBO)	12/75	1,400	21	6.7	7.95	11,130	12,000	11.7	5.00
Niles OH (MAHONING VALLEY)	3/76	1,681	29.3	5.7	8.00	13,448	9,464	17.8	8.25
Norristown, PA (HBO)	10/75	2,305	8.7	26.5	7.00	16,135	2,564	89.9	6.50
North Adams, MA (HBO)	11/75	700	14	5.0	8.00	5,600	11,100	6.3	7.00
N. Bergen/Hoboken, NJ (HBO)	7/75	2,275	16	14.2	7.00	15,925	4,250	53.5	8.00
North Charleston, SC (TPS)	2/75	1,750	25	7.0	6.00	10,500	3,400	51.5	7.50
North Palm Beach, FL (TPS)	7/73	2,000	18.8	10.6	6.25	12,500	10,300	19.4	6.50

System & Affiliation	Date Pay Began	6/30 Pay Subs	Homes Passed (000)	% Pay Pen.	Pay TV Rate (mo.)	Pay TV Revenue (mo.)	Basic Cable Subs	% Pay Pen.	Basic Cable Rate (mo.)
North Syracuse, NY (HBO)	2/75	3,590	18	19.9%	\$ 7.00	\$ 25,130	7,603	47.2%	\$ 6.00
Northampton, PA (TWIN COUNTY)	10/75	750	80	0.9	Per Pgm.*	5,000	55,000	1.4	5.50
Ocean City, NJ (HBO)	8/75	800	14	5.7	7.95	6,360	10,000	8.0	5.00
Olean, NY (HBO)	2/73	1,023	8.9	11.5	6.00	6,138	8,337	12.3	6.50
Oneonta, NY (HBO)	9/74	766	6	12.8	7.00	5,362	5,458	14.0	6.50
Oswego, NY (HBO)	10/75	600	7	8.6	7.95	4,770	4,000	15.0	6.25
Overland Park, KS (TPS)	⊕ 3/76	3,765	54	7.0	8.00	30,120	16,300	23.1	6.95
Owensboro, KY (HBO)	⊕ 12/75	1,000	22	4.5	7.00	7,000	8,100	12.3	6.00
Oxnard, CA (PTV)	6/75	4,350	29	15.0	3.75	16,313	11,350	38.3	6.95
Pacific Grove, CA (100)	6/75	2,100	18	11.7	9.75	20,475	11,500	18.3	7.00
Palos Verdes, CA (TPS)	5/75	1,974	13.2	15.0	8.50	16,799	7,938	24.9	7.00
Paradise Valley, AZ (T-F)	12/75	254	1.5	16.6	10.00	2,540	876	29.0	9.00
Pasadena, TX (TPS)	5/75	4,200	28	15.0	7.50	31,500	6,000	70.0	6.50
Peekskill, NY (HBO)	9/74	803	6.8	11.8	10.00	8,030	2,994	26.8	7.50
Pensacola, FL (PTV)	6/73	1,570	20	7.9	3.75	5,888	2,050	76.6	6.50
Perkasie, PA (HBO)	9/75	277	2.8	9.9	5.00	2,216	552	50.2	5.95
Philadelphia, PA (HBO)	6/75	4,300	35.5	12.1	8.50	36,550	9,900	43.4	6.00
Pittsfield, MA (STAR)	9/73	1,017	18.4	5.5	6.00	6,102	15,319	6.6	6.95
Pompano Beach, FL (HBO)	⊕ 7/73	6,159	70	8.8	8.50	52,352	11,205	55.0	8.50
Pottsville, PA (STAR)	2/73	1,227	15	8.2	5.00	6,135	13,074	9.4	6.00
Quint Cities, IA-IL (TPS)	4/74	7,700	60	12.8	8.00	61,600	21,600	35.6	6.95
Reedsport, OR (BEST)	9/75	160	2.6	6.2	4.95	792	2,100	7.6	7.00
Reston VA (STAR)	2/73	1,387	9.3	14.9	6.00	8,322	5,398	25.7	8.50
Richmond, IN (TPS)	12/75	200	18.4	1.1	8.00	1,600	9,200	2.2	6.00

Appendix i Cont'd.

System & Affiliation	Date Pay Began	6/30 Pay Subs	Homes Passed (000)	% Pay Pen.	Pay TV Rate (mo.)	Pay TV Revenue (mo.)	Basic Cable Subs	% Pay Pen.	Basic Cable Rate (mo.)
Rochester, MN (HBO)	⊕ 1/76	2,100	20	10.5%	\$ 9.95	\$ 20,895	17,000	12.4%	\$ 6.50
Rochester, NY (HBO)	6/75	5,700	27	21.1	8.00	45,600	7,500	76.0	8.00
Rock Island, IL (HBO)	⊕ 1/76	2,000	17	11.8	9.95	19,900	7,500	26.7	7.00
Rome, GA (TPS)	1/76	535	21	2.5	8.00	4,280	15,221	3.5	6.95
Rome, NY (HBO)	6/75	1,499	14	10.7	7.00	10,493	6,873	21.8	6.00
Rutland, VT (HBO)	11/75	600	8	7.5	8.00	4,800	7,600	7.9	6.28
St. Cloud, MN (TPS)	10/75	469	14.4	3.3	8.50	3,987	4,700	10.0	7.25
Salinas, CA (100)	11/75	1,910	25.4	7.5	9.75	18,623	15,395	12.4	5.55
Salisbury, MD (TPS)	12/75	518	13.5	3.8	8.95	4,636	12,000	4.3	6.95
San Angelo, TX (HBO)	⊕ 4/75	4,411	23.4	18.8	8.00	35,288	15,433	28.6	6.50
San Diego, CA-ATC (100)	2/75	1,700	45	3.8	8.95	15,215	17,000	10.0	7.50
San Diego, CA-COX (100)	3/73	16,100	223	7.2	8.95	144,095	120,900	13.3	6.50-7.50
San Jose, CA (TPS)	2/76	63,600	158	40.3	2.00	127,200	64,600	98.5	6.95
San Leandro, CA (HBO)	⊕ 3/76	2,497	21.1	11.9	9.95	24,845	7,057	35.4	6.95
Santa Barbara, CA (100)	3/74	2,200	63	3.5	8.95	19,690	40,400	5.4	5.85
Sarasota, FL (HBO)	⊕ 12/72	3,416	35.3	9.7	9.36	31,774	24,647	13.9	6.00-7.00
Saratoga Springs, NY (HBO)	12/75	750	7.2	10.4	8.00	6,000	3,100	24.2	6.00
Schenectady, NY (HBO)	2/76	2,588	33	7.8	8.00	20,704	14,817	17.5	7.00
Scranton, PA (HBO)	5/75	4,382	74	5.9	7.00	30,674	28,518	15.4	4.75
Seattle, WA (HBO)	12/75	7,000	78	9.0	9.95	69,650	26,000	26.9	7.75
Shamokin, PA-E PA Relay (HBO)	8/74	238	7.6	3.1	7.00	1,666	7,400	3.2	6.00
Shamokin, PA-SVCE ELEC (HBO)	8/74	200	5	4.0	6.00	1,200	3,800	5.3	5.00
Shenandoah, PA (HBO)	12/75	230	2	11.5	7.00	1,610	3,500	6.6	5.50
Smyrna, GA (PTV)	9/75	475	10	4.8	6.00	2,850	1,800	9.7	5.95

Appendix i Cont'd.

System & Affiliation	Date Pay Began	6/30 Pay Subs	Homes Passed (000)	% Pay Pen.	Pay TV Rate (mo.)	Pay TV Revenue (mo.)	Basic Cable Subs	% Pay Pen.	Basic Cable Rate (mo.)
Socorro, NM (BEST)	12/75	60	1.5	4.0%	\$ 4.00	\$ 240	270	22.2%	\$ 7.50
Sparta, NJ (HBO)	7/75	1,500	17	8.8	6.00	9,000	10,000	15.0	5.00
Spring Valley, NY (HBO)	10/74	6,000	18	33.3	6.00	36,000	100	60.0	6.95
Stockton, CA (100)	6/75	2,350	48.4	4.9	9.75	22,913	13,000	17.3	6.50
Stroudsburg, PA (HBO)	6/73	600	6	10.0	6.00	3,600	5,760	10.4	5.45
Suffolk County, NY (HBO)	4/75	22,200	118.2	18.8	8.00	177,600	64,900	34.2	6.50-7.00
Sunnymead, CA (BEST)	11/75	180	0.9	20.0	4.95	891	675	26.7	6.50
Sunnyvale, CA (TPS)	8/75	2,090	25	8.4	7.00	14,630	3,986	52.4	6.95
Tacoma, WA (HBO)	⊕ 12/75	4,750	52	9.1	9.95	47,263	9,500	50.0	7.00
Toledo, OH (100)	9/73	4,264	86	5.0	8.95	38,163	44,500	9.6	5.95
Troy, NY (HBO)	5/75	1,751	18.5	9.5	7.00	12,257	9,134	19.2	7.00
Tulsa, OK (HBO)	⊕ 12/75	7,215	58.6	12.3	9.95	71,789	23,584	30.6	6.95
Tuscaloosa, AL (HBO)	⊕ 12/75	2,250	25	9.0	9.95	22,388	14,000	16.1	7.00
Valdez, AK (BEST)	12/75	350	1.1	31.8	6.00	2,100	925	37.8	17.00
Venice, FL (HBO)	11/74	475	5.4	8.7	9.36	4,446	6,303	7.5	6.00
Ventnor, NJ (HBO)	8/75	1,700	14	12.1	7.95	13,515	10,000	17.0	4.50
Vestal, NY (HBO)	11/73	1,882	22.7	9.3	7.00	13,174	15,455	12.2	6.00
Vineland, NJ (HBO)	8/75	2,500	23	10.9	7.95	19,875	11,000	22.7	5.00
Wainae, HI (TPS)	12/75	2,080	7.8	26.8	8.00	16,640	5,600	37.1	8.00
Walnut Creek, CA (100)	8/74	1,500	14.5	10.3	8.95	13,425	13,250	11.3	6.00
Wappingers Falls, NY (HBO)	11/74	1,841	13.5	13.7	7.00	12,887	9,936	18.5	6.00-7.00
Warner Robins, GA (TPS)	1/76	2,800	14	20.0	8.00	22,400	11,700	23.9	6.00
Warren, PA (HBO)	5/73	886	7.2	12.3	6.00	5,316	6,783	13.1	6.35

Appendix i Cont'd.

System & Affiliation	Date Pay Began	6/30 Pay Subs	Homes Passed (000)	% Pay Pen.	Pay TV Rate (mo.)	Pay TV Revenue (mo.)	Basic Cable Subs	% Pay Pen.	Basic Cable Rate (mo.)
Wayne, NJ (HBO)	9/73	7,501	32.3	23.3%	\$ 8.00	\$ 60,008	14,076	53.3%	\$ 6.75
Wellsville, NY (HBO)	11/75	494	4.8	10.3	6.95	3,433	4,100	12.0	6.00
West Palm Beach, FL (HBO) ⊕	1/76	5,250	30	17.5	9.95	52,238	12,000	43.8	7.00
West Springfield, MA (HBO)	2/76	2,337	11.7	19.9	6.00	14,022	4,999	46.7	6.15
Wildwood, NJ (HBO)	9/75	2,300	32	7.2	7.95	18,285	20,000	11.5	5.00
Wilkes-Barre, PA (HBO)	11/72	2,200	33	6.7	6.00	13,200	12,000	18.3	6.00
Wilmington, DE (HBO)	12/74	12,000	75	16.0	7.88	94,560	38,554	31.1	6.55
Winter Haven, FL (STAR)	4/73	1,118	19.3	0.6	5.00	5,590	6,491	17.2	7.50
Yuma, AZ (HBO) ⊕	4/76	3,611	18.4	19.6	8.00	28,888	11,749	30.7	7.50
TOTALS & AVERAGES		667,515	5,620.2	11.9%	\$7.46	\$4,977,981	2,581,735	25.9%	\$6.67

⊕ denotes satellite earth station

* per-program systems with varied consumption rate per subscriber

DISTRIBUTORS: HBO=Home Box Office; TPS= TeleMation Pgm. Services; 100-Optical Systems Channel 100; PTV=Pay TV Services; STAR=Warner Star Channel; CINE=CinemERICA; BEST=Bestvision; HOME=Home Entertainment; TWIN COUNTY= Twin County Trans-Video; NPS=National Professional Services; T-F=Tele-Features; ATC=American TV & Communications.

Source: P. Kagan & Associates.

STATUS REPORT AS OF JUNE 30, 1976, OF THOSE PAY-CABLE SYSTEMS
NOT ON THE AIR OR STILL IN PREVIEW PERIOD ON MARCH 31, 1976

System & Affiliation	Date Pay Began	6/30 Pay Subs	Homes Passed (000)	% Pay Pen.	Pay TV Rate (mo.)	Pay TV Revenue (mo.)	Basic Cable Subs	% Pay Pen.	Basic Cable Rate (mo.)
Akron, OH (STAR)	4/76	6,430	118.3	5.4*	\$ 6.95	\$ 38,580	18,243	35.2%	\$ 7.95
Audubon, NJ (HBO)	4/76	1,350	4	33.8	8.00	10,800	1,700	79.4	6.00
Aurora, IL (HBO)	⊕ 6/76	600	17	3.5	8.50	5,100	6,600	9.1	6.50
Bloomsburg, PA (HBO)	3/76	150	6	2.5	6.00	900	4,100	3.7	5.00
Bonita Springs, FL (HBO)	⊕ 4/76	500	9.6	5.2	8.00	4,000	4,800	10.4	7.50
Bradenton, FL (HBO)	4/76	1,200	21	5.7	9.95	11,940	9,000	13.3	7.00
Burbank, Glendale - CA (TPS)	5/76	2,846	39	7.3	9.95	28,318	14,725	19.3	6.00-6.50
Canton, OH (STAR)	4/76	5,019	53.9	9.3	6.95	30,114	28,667	17.5	6.50
Clarksburg, WV (HBO)	⊕ 4/76	2,000	14	14.3	9.95	19,900	13,500	14.8	5.00
Cocoa, FL (ATC)	6/76	900	21.5	4.2	8.00	7,200	9,100	9.9	7.25
Daly City-Pacifica, CA (TPS)	5/76	1,428	23	6.2	8.00	11,424	10,774	13.3	6.25
Dubuque, IA (HBO)	⊕ 6/76	3,000	20	15.0	9.95	29,850	16,750	17.9	7.25
Duluth, MN (HBO)	⊕ 4/76	1,500	37	4.1	9.95	14,925	6,500	23.1	7.00
Ephrata, PA (HBO)	6/76	50	11.5	0.4	6.00	1,300	7,000	0.7	5.00
Erie, PA (HBO)	⊕ 4/76	1,300	15	8.7	8.00	10,400	5,500	23.6	5.00
Florence AL (HBO)	⊕ 4/76	1,800	23	7.8	9.95	17,910	17,800	10.1	7.00
Ft. Walton Beach, FL (STAR)	6/76	5,634	22.4	25.1	6.95	39,156	19,263	29.2	7.00
Globe-Miami, AZ (T-F)	5/76	402	7.5	5.4	10.00	4,020	3,105	12.9	8.50
Grand Island, NB (HBO)	6/76	1,038	9.3	11.2	8.00	8,304	3,055	34.0	7.00
Hampton, VA (STAR)	4/76	3,088	35.7	8.6	6.95	21,462	12,129	25.5	7.95
Hastings, NB (HBO)	6/76	711	7.4	9.7	8.00	5,688	1,900	37.4	7.00
Hillsborough, FL (HBO)	5/76	2,000	40	5.0	19.95	39,900	6,500	30.8	5.50

Appendix ii Cont'd.

System & Affiliation	Date Pay Began	6/30 Pay Subs	Homes Passed (000)	% Pay Pen.	Pay TV Rate (mo.)	Pay TV Revenue (mo.)	Basic Cable Subs	% Pay Pen.	Basic Cable Rate (mo.)
Homestead, PA (HBO)	5/76	2,005	21.6	9.3%	\$ 6.00	\$ 12,030	7,420	27.0%	\$ 6.50
Huntsville, AL (HBO)	⊕ 5/76	5,600	47	11.9	9.95	55,720	22,500	24.9	7.00
Johnstown, PA (HBO)	⊕ 6/76	750	30	2.5	9.95	7,463	24,000	3.1	4.00
Kearney, NE (HBO)	6/76	400	5.3	7.5	8.00	3,200	1,375	29.1	7.00
Lakeland, FL (HBO)	6/76	1,000	21	4.8	9.95	9,950	11,000	9.1	7.00
Lansing, MI (TPS)	5/76	3,855	16	24.1	3.00	11,565	5,424	71.1	6.95
Lewiston, ID (HBO)	5/76	1,400	12.5	11.2	9.95	13,930	9,000	15.6	7.00
Lewistown, PA (HBO)	⊕ 6/76	800	7.8	10.3	8.00	6,400	7,300	11.0	6.25
Lexington, NB (HBO)	6/76	293	1.8	16.3	8.00	2,344	1,502	19.5	7.00
Lubbock, TX (HBO)	⊕ 6/76	1,900	38	5.0	8.00	15,200	9,800	19.4	7.75
Manahawkin, NJ (HBO)	⊕ 6/76	725	10	7.3	8.00	5,800	4,400	16.5	6.00
Manchester, CT (HBO)	⊕ 6/76	700	33	2.1	8.95	6,265	11,200	6.3	7.95
Manhattan, KS (HBO)	⊕ 6/76	1,050	10.1	10.4	9.95	10,448	8,850	11.9	6.95
Melbourne, FL (ATC)	6/76	2,300	26.5	8.7	8.00	18,400	23,000	10.0	7.25
Memphis, TN (TPS)	3/76	793	4.2	18.9	7.00	5,551	827	95.9	5.00
Midland, TX (100)	6/76	2,237	18.9	11.8	9.75	21,811	13,446	16.6	5.75
Milford, PA (HBO)	4/76	50	0.8	6.7	6.00	300	600	8.3	6.00
Morgantown, WV (HBO)	4/76	1,750	10	17.5	9.95	17,413	9,250	18.9	6.00
Ocean City-Berlin, MD (HBO)	5/76	1,152	17	6.8	9.95	11,462	13,052	8.8	6.00
Oneida, NY (HBO)	4/76	210	7.3	2.9	8.00	1,680	3,940	5.3	6.00
Petersburg, VA (TPS)	5/76	787	17	4.6	7.95	6,257	7,665	10.3	5.95
Plant City, FL (HBO)	6/76	100	4	2.5	9.95	995	1,000	10.0	5.00
Pocatello, ID (HBO)	⊕ 6/76	2,750	13	21.2	9.95	27,363	9,500	28.9	7.00

Appendix ii Cont'd.

System & Affiliation	Date Pay Began	6/30 Pay Subs	Homes Passed (000)	% Pay Pen.	Pay TV Rate (mo.)	Pay TV Revenue (mo.)	Basic Cable Subs	% Pay Pen.	Basic Cable Rate (mo.)
Portsmouth, OH (HBO)	⊕ 4/76	1,100	18.5	5.9%	\$ 9.95	\$ 10,945	13,700	8.0%	\$ 6.35
Red Lion, PA (HBO)	6/76	200	3.5	5.7	7.00	1,400	1,600	12.5	5.00
Redlands, CA (BEST)	6/76	1,117	10	11.2	4.95	5,529	1,691	66.1	7.45
Peno, NV (HBO)	⊕ 6/76	5,000	37	13.5	9.95	49,750	19,000	26.3	6.50
Riverhead, NY (HBO)	5/76	1,264	25	5.0	9.95	12,577	20,921	6.0	6.00-7.75
Saginaw, MI (HBO)	⊕ 4/76	2,000	36	5.6	8.00	16,000	10,800	18.5	6.95
St. Petersburg, FL (HBO)	⊕ 5/76	3,500	70	5.0	9.95	34,825	12,500	28.0	5.00
Seneca Falls, NY (HBO)	5/76	350	5.5	6.4	8.00	2,800	3,700	9.5	6.95
State College, PA (TPS)	3/76	715	16.8	4.3	8.00	5,720	11,575	6.2	6.25
Wallingford, CT (HBO)	⊕ 5/76	650	22.5	2.9	8.50	5,525	10,549	6.2	6.25
Westfield, MA (HBO)	5/76	836	4.9	17.0	6.00	5,016	2,074	40.3	6.50
Winona, MN (HBO)	6/76	600	8.3	7.3	9.95	5,970	7,250	8.3	7.45
Winston-Salem, NC (HBO)	⊕ 4/76	4,200	36.5	11.5	8.00	33,600	18,500	22.7	7.00
Worcester, MA (HBO)	5/76	1,500	30	5.0	9.95	14,925	8,000	18.8	7.00
TOTALS & AVERAGES		98,585	1,253.6	7.9%	\$8.48	\$836,320	568,622	17.3%	\$6.62
TOTALS & AVERAGES FOR BOTH CENSUS GROUPS		766,100	6,873.7	11.1%	\$7.59	\$5,814,301	3,150,357	24.3%	\$6.66

PAY CABLE PROGRAMMING EXAMPLEINDEPENDENT PAY CHANNELWEEK ONEFirst Runs

The Great American Cowboy	10 plays
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The Apprenticeship of Duddy Kravits	11 plays
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Repeats

The Eiger Sanction	4 plays
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WEEK TWOFirst Runs

Seven Alone	8 plays
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The Iceman Cometh	6 plays
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Repeats

The Great Waldo Pepper	5 plays
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Non-Movie

Folies Bergere from Las Vegas	1 play
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WEEK THREEFirst Runs

Bug	8 plays
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The Longest Yard	13 plays
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Repeats

The Little Prince	4 plays
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(continued)

WEEK FOUR

First Runs

Swept Away	8 plays
Farewell My Lovely	13 plays

Repeats

The Wind and the Lion	4 plays
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WEEK FIVE

First Runs

The Maids	8 plays
The Towering Inferno	13 plays

Repeats

French Connection II	4 plays
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WEEK SIX

First Runs

Silence	8 plays
The Man with the Golden Gun	13 plays

Repeats

The Day of the Locust	4 plays
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Theta Cable 'Z' Channel, Los Angeles, Calif.

Pay Cable Programmes July 2 - August 12, 1976.

PAY CABLE PROGRAMMING EXAMPLE
MULTIPLE CHANNEL INDEPENDENT
PER-PROGRAMME CHARGE

ONE WEEK

General Movies

Breakout	\$2.75	4 plays
Shampoo	\$3.25	12 plays
Farewell My Lovely	\$2.50	6 plays
Rollerball	\$2.75	5 plays
Russian Roulette	\$2.50	7 plays
Pardon My Blooper	\$2.75	7 plays
Rocky Horror Picture Show	\$2.50	6 plays
Longest Yard	\$2.75	8 plays
Once Is Not Enough	\$2.75	12 plays
Bite the Bullet	\$2.75	7 plays
Four Musketeers	\$2.50	7 plays
Lies My Father Told Me	\$2.50	6 plays
Eiger Sanction	\$2.75	5 plays
Killer Elite	\$2.50	5 plays
Man Who Would Be King	\$2.75	5 plays
15 movies	\$2.68	102 plays
	(average)	(6.8 average)

Family & Children's Features

He's My Brother	\$1.50	2 plays
Return of the Pink Panther	\$3.00	4 plays
Animals Are Beautiful	\$1.25	1 play

Where the Red Fern Grows	\$1.50	2 plays
The Scarlet Pimpernel	\$1.75	1 play
Golden Voyage of Sinbad	\$1.25	9 plays
Mauro, The Gipsy	\$0.75	5 plays
Boy of Two Worlds	\$1.25	7 plays
Underseas Explorers	\$1.00	5 plays
Scramble	\$0.75	4 plays
10 Features	\$1.40	40 plays
	(average)	(4.0 average)

Specials

Freddie Prinze	\$3.50	3 plays
Mort Sahl	\$3.25	2 plays
2 Special	\$3.38	5 plays
	(average)	(2.5 average)

Foreign Films

Satyricon	\$2.50	2 plays
Swept Away	\$2.50	1 play
2 Films	\$2.50	3 plays
	(average)	(1.5 average)

Sports

WTT. Hawaii vs. Pittsburg	\$1.00	1 play
Featherweight Fight	\$1.50	1 play

PBA Bowling	\$1.00	1 play
Champion Ship Rodeo	\$1.00	1 play
4 Features	\$1.13 (average)	4 plays (1.0 average)

Adults Only

In the Beginning	\$2.50	13 plays
Swinging Stewardesses	\$2.50	12 plays
Campus Swingers	\$2.50	13 plays
Smartie Pants	\$2.50	8 plays
Intimate Playmates	\$2.50	9 plays
Sinful Bed	\$2.50	6 plays
Suburban Wives	\$2.50	7 plays
7 Features	\$2.50 (average)	68 plays (9.7 average)

Totals and Averages

40 Features	\$2.20 (average)	222 plays (5.6 average)
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Telecinema (4 channels), Columbus, Ohio

Programmes August 2-8, 1976

PAY CABLE PROGRAMMING EXAMPLEHOME BOX OFFICEFIRST RUN MOVIES

Jacques Brel	13 plays
Love and Death	10 plays
The Man Who Would Be King	10 plays
Once Is Not Enough	5 plays
The Story of Adele H	11 plays
That Hamilton Woman	10 plays
The Thief of Bagdad	8 plays

REPEAT MOVIES

Bruce Lee and I	2 plays
Four Feathers	2 plays
Hester Street	5 plays
The Iceman Cometh	2 plays
Swept Away	2 plays
Brother, Can You Spare a Dime	5 plays
Cornbread, Earl and Me	2 plays
The Drowning Pool	3 plays
The Longest Yard	1 play
Man and Boy	4 plays
The Man in the Glass Booth	1 play
Murder on the Orient Express	2 plays
Reincarnation of Peter Proud	3 plays
Return to Macon County	4 plays
Wild Little Bunch	4 plays

FOREIGN FILMS

L'Avventura	2 plays
Don't Cry with Your Mouth Full	3 plays
Forbidden Games	3 plays
Hiroshima . Mon Amour	3 plays
Wild Strawberries	4 plays

CHILDREN'S MOVIES

The Lone Wolf	6 plays
Pippi in the South Seas	4 plays
Pippi on Board	4 plays
The Space Explorers	1 play
The Underseas Explorers	4 plays

SPORTS

Ladies Pro Golf Open	2 features
World Team Tennis	6 features
North American Soccer	2 features
Championship Rodeo	2 features
Featherweight Boxing	1 feature
Professional Bowling	7 features

SPECIALS

Les Folies Bergeres	1 play
The Little Players: Jubilation '76	5 plays
On Location: Mort Sahl	4 plays
Freddie Prinze and Friends	1 play

MISCELLANEOUS PROGRAMS

The Pallisers	Episode 14	1 play
The Pallisers	Episode 15	4 plays
The Pallisers	Episode 16	4 plays
The Pallisers	Episode 17	4 plays
The Pallisers	Episode 18	3 plays
Martha's Attic: Air, Air, Everywhere		3 plays
Martha's Attic: How to Feel Better		2 plays
Martha's Attic: I Just Can't Do Anything		3 plays
Martha's Attic: Birds of a Feather		3 plays
Martha's Attic: When You Are Scared		1 play
Cartoons		10 plays
Next Month on HBO		4 plays

Home Box Office Schedule

August 1976

Appendix VI

The following is a reprint of an article on the Coaxial Communications two-way cable system in operation in Columbus, Ohio, which appeared in the February 20th, 1975 edition of Electronics Magazine.

Cost barrier cracked in two-way cable TV

Remote rf-actuated switch is said to solve interference problem and to pave the way for home services the consumer can afford; test tryouts included 1,000 hookups in Columbus, Ohio, vicinity

by D. Stevens McVoy and Richard Reynolds, Coaxial Scientific Corp., Sarasota, Fla

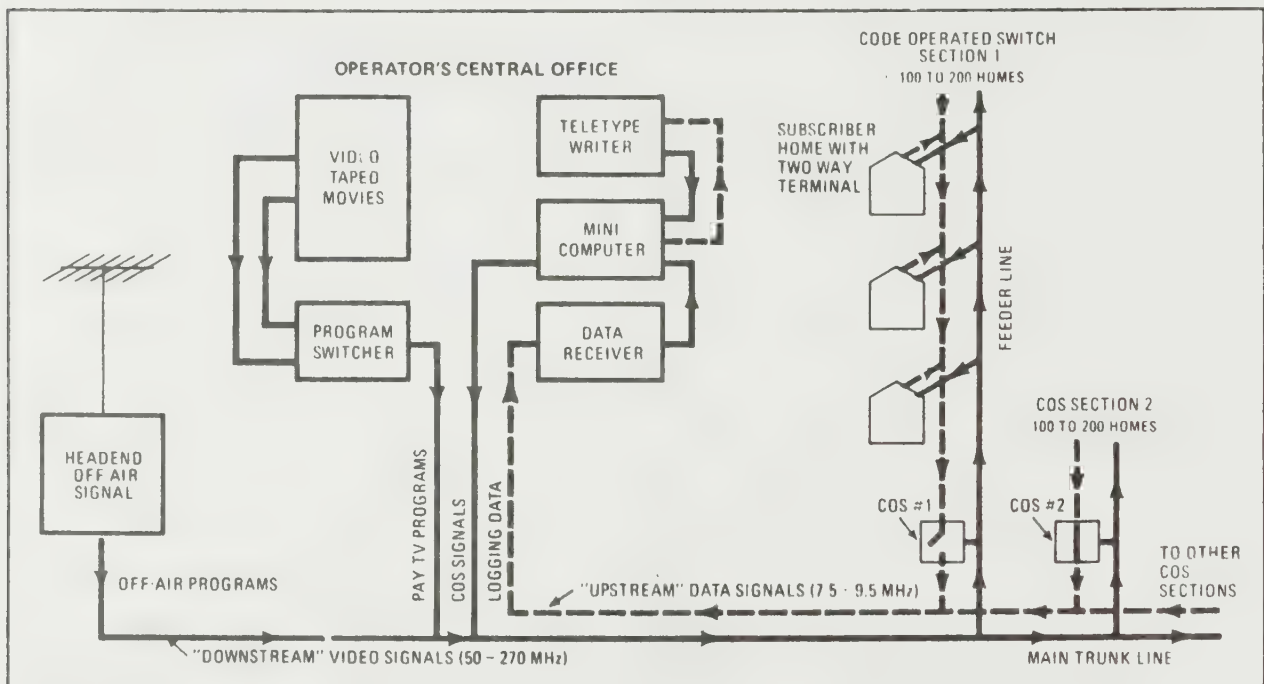
□ Cable television equipment manufacturers a few years ago were rushing to develop prototype hardware to demonstrate a wide array of novel consumer applications for two-way CATV. These applications included everything from traditional TV fare to such things as automatic utility meter reading, computer-assisted tutoring, home shopping, and a host of other services. Then something put a damper on things: it was recognized that the expense of equipping the consumer market with any of the home terminals then available would be prohibitive. Not only that, but technical problems caused by rf interference were plaguing experimental two-way transmissions. The total effect was to slow down developmental work considerably.

Now a device patented by Coaxial Scientific Corp. (CSC), Sarasota, Fla., promises to remove these roadblocks. CSC's objectives have centered around building a practical and low-cost home terminal system, and minimizing the signal intrusion coming "upstream,"

that is, along the subscriber network to the CATV transmission center. CSC believes that both objectives have been met with the development of the code operated switch (COS).

The COS is a remote switch controlled by command from a minicomputer located in the CATV "headend" transmission center. As illustrated in Fig. 1, the minicomputer commands any COS to open or close, thereby either passing or halting signals from going upstream from that particular network branch. Digital signals from home terminals through the code-operated switches inform the transmission center of what TV channel each subscriber is tuned to. The COS also enables the system to block rf interference, and it makes feasible a relatively inexpensive home terminal using a modified cable converter.

CSC is convinced that the system described here is the breakthrough to successful two-way CATV (Fig. 1). The company has conducted two years of small-scale testing



1. Polling. In a pay-CATV operation, the minicomputer sends coded digital signals "downstream" on a midband frequency, causing the code-operated switch on a network branch to close. Subscribers' two-way terminals in that branch are then polled

and 18 months of field operations. The latter included operation of 1,000 home terminals in a pay-TV system.

In an operational system, only one COS is active at any one time; in effect, only one branch out of many is being polled at any one time (Fig. 2). All other COS units are in the off mode. By switching on one COS at a time, signal intrusion problems are greatly minimized.

Figure 2 shows where COSs are placed in a typical CATV plant—generally at the output of each bridger amplifier, which typically serves 100 to 200 subscribers hooked up along two to five miles of cable.

How it works

Each COS consists of band-splitting filters which separate the downstream (50 to 300 megahertz) frequencies from the upstream (5 MHz to 30 MHz) frequencies (Fig. 3). Downstream signals pass through the COS continuously, without interruption, while the upstream frequencies are either passed or blocked as directed by the minicomputer.

The COS addressor, under the control of a minicomputer at the operator's headend, generates a serial data stream that simultaneously frequency-shifts two crystal oscillators, one normally operating at 10.70 MHz and the other at 10.75 MHz. The frequency difference between the two oscillators for a logical 0 is 50 kilohertz and for a logical 1 is 54 kHz. These two carriers are then upconverted to 113.40 MHz and 113.45 MHz and inserted on the CATV system.

A directional coupler on the downstream line feeds a 113.40-MHz bandpass filter which feeds a two-stage rf amplifier and mixer. The two signals of 113.4 MHz and 113.45 MHz produce mixing products at 227 MHz and at 50 kHz or 54 kHz. The latter product, the one of interest, is separated with a low-pass filter and fed into a resonant discriminator. (This product is 54 kHz or logical 1, as mentioned above.) The output of the discriminator is then fed to a comparator which provides a TTL-compatible data stream to the address decoder. The address decoder recognizes its unique address and produces a logical 1 output when the proper code is received.

An rf switch consisting of a unity-gain amplifier stage is inserted in the upstream path of the COS. This switch is under the control of the address decoder and allows upstream signals to pass through the COS when the proper code has been received. When the rf switch is in the off mode, the upstream signals are attenuated 50 decibels. Each COS also contains an identification transmitter, located prior to the rf switch, that provides positive identification for the minicomputer that the proper COS has been enabled.

Substantial reductions in maintenance costs and significant increases in system reliability now can be realized, thanks to the COS-minicomputer combination. A fault in the cable system, such as a loose connector or damaged cable sheath, is easily isolated by the minicomputer to one small segment of the system, where technical personnel can quickly correct the problem. Also, the cumulative effect of signal intrusion, being largely proportional to the amount of cable plant contributing noise, is reduced by the use of the COS to subdivide the plant. In fact, the code-operated-switch ap-

proach reduces the intrusion problem to the point where it is no longer a serious obstacle.

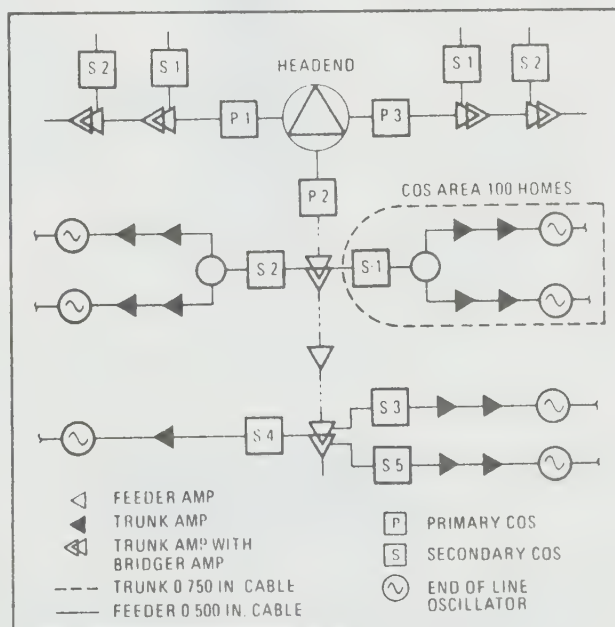
Saving terminal costs

Use of the COS opens the way for an inexpensive home terminal. A major expense in a typical interrogation-response home terminal is the rf receiver, decoder, and address-recognition circuitry. But a terminal that simply reports its status, and which operates in the frequency-division-multiplex mode (FDM), does not require this circuitry. Such a FDM terminal requires only a data encoder and rf transmitter circuit. Many terminals operating in the FDM mode, however, occupy too much bandwidth in a nonsegmented cable system. But the COS approach, by segmenting the CATV system into small areas of less than 200 terminals, makes the FDM method practical within those areas.

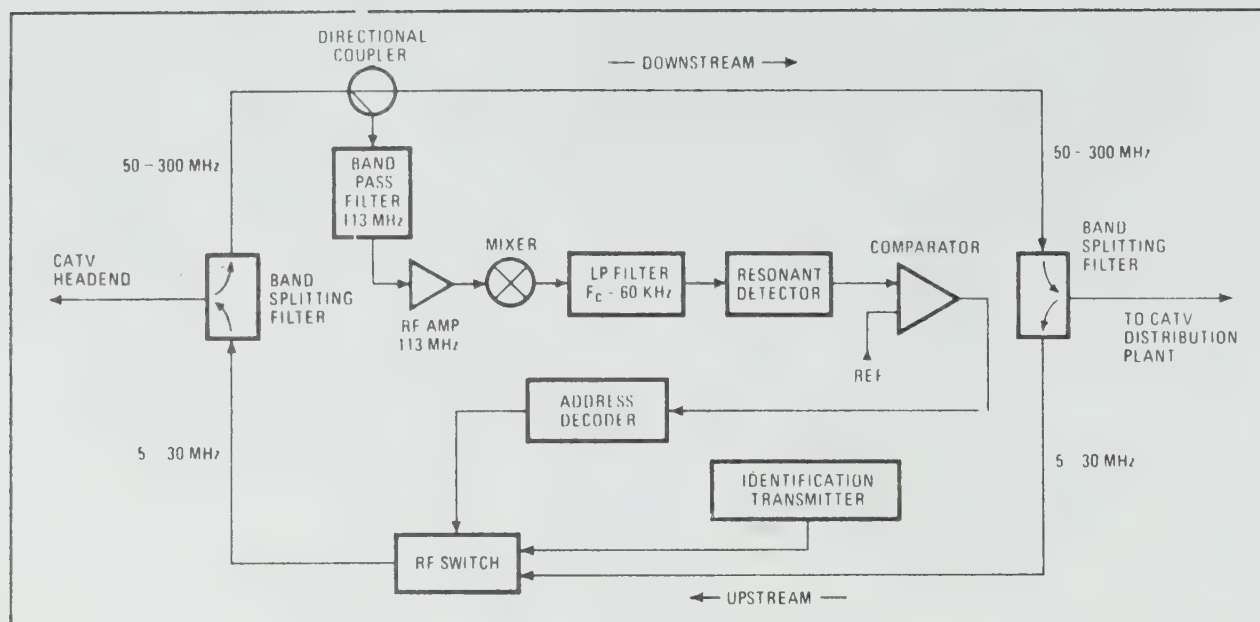
Home terminals in each COS area are assigned unique rf carriers shifted 20 kHz apart. The carriers are frequency-shift-keyed (FSK) and modulated with status information from home terminals. This approach results in a component cost of approximately \$14 per home terminal (Fig. 4). When combined with a CATV set-top converter, the total package costs only \$60, and the simplicity of the terminal promises lower maintenance costs.

What's at the movies

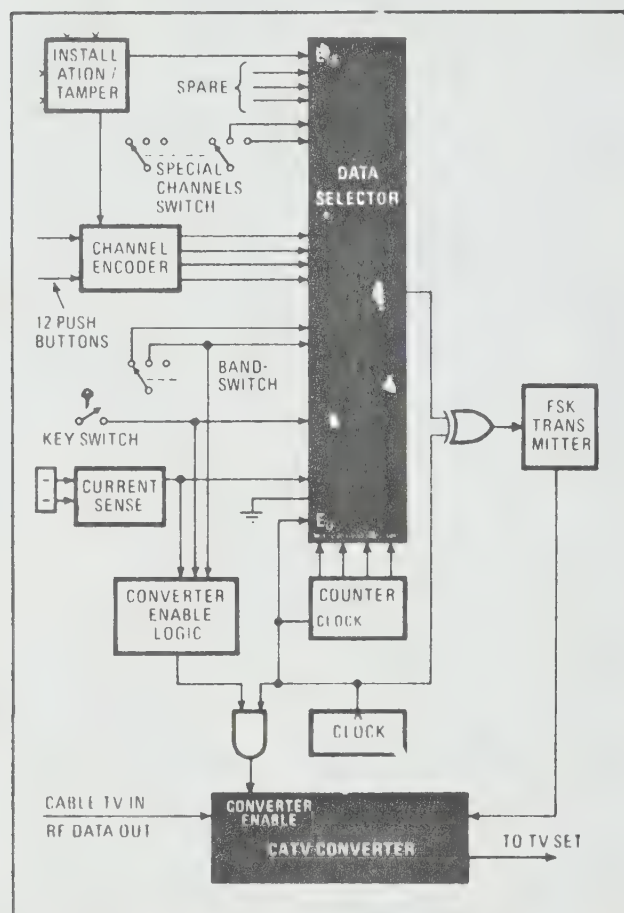
During 1973, CSC designed and manufactured 1,000 home terminals to be used by Telecinema, the pay-TV operator in Columbus, Ohio. Telecinema offers first-run movies, without commercials or editing, on three mid-band channels (TV channels between channels 6 and 7). This per-program pay-television operation is unique in that it allows per-program billing and impulse buying without use of telephone orders or special tickets. Since



2. The route. Code-operated switches isolate segments of the CATV net. Only one branch is turned on at a time to prevent rf noise in other sections from filtering back to the cable trunk. Only 100 to 200 homes per isolated section can communicate "upstream" at a time



3. Inside COS. Each code-operated switch is essentially a band-splitting filter directing "downstream" signals continuously to each home terminal and permitting "upstream" return signals only when commanded by the headend computer. In operation, the "downstream" signals at 50 to 300 megahertz pass continuously, but the "upstream" signals at 5 to 30 MHz only pass through the COS when commanded.



4. Simple reply. Because the circuit board added to the home terminal does not have the rf receiver, decoder, and address-recognition circuitry used in other more expensive interrogation/response systems, the cost is only about \$14.

the home terminal acts to monitor the channel position and status of a subscriber's set and reports these facts to the headend computer, it is possible to prepare a subscriber's bill that reflects actual usage of the service.

The home terminal modified by CSC consists of a standard CATV set-top converter of 26-channel capacity with a small board containing the control circuitry (Fig. 5). The CSC circuit board monitors the position of the 26-channel selector, the position of a security key on the front panel of the home terminal, whether the subscriber's television receiver is on or off, and the status of an installation switch.

The data transmission circuitry consists of a parallel-to-serial 16-bit data converter with a Manchester encoder driving a frequency-shift-keyed (FSK) modulator and crystal-controlled transmitter frequency-shifted approximately 3 kHz by switching additional capacitance across the crystal. A clocked 4-bit counter addresses a data selector to provide the parallel-to-serial data conversion. Two of the 16 bits are used as a start-of-message marker, and 14 are available for data.

To allow the subscriber to control the use of pay-television service, a security key is provided on the home terminal front panel and before pay-TV channels can be viewed, this key switch must be on. All other TV channels are available to the viewer in either position of the security key.

The primary winding of a current sense transformer is in series with one side of the ac convenience electrical outlet serving the subscriber's TV set. The secondary winding drives a threshold detector, thereby providing indication of whether the TV set is in use.

To effect Manchester encoding of the serial data, the output of the data selector and the clock output are the inputs to an exclusive-OR gate. Because the serial message is continuously transmitted, a message marker is

necessary to distinguish the beginning of the message. The marker is generated by defeating Manchester encoding during the first data period, cancelling out clock transitions for that period. To continue the marker period without transition for another half period, the next bit is set to logic 0. This provides a minimum of one and a half periods without transition and provides the first transition for data sampling.

A successful operation

When the subscriber wishes to watch one of the movies, he simply turns on the security key on the terminal and tunes one of the pay channels. At the end of each month, the subscriber receives an invoice similar to a long-distance telephone bill itemizing his charges for the movies viewed during the month.

The results of this 18-month test in Columbus demonstrates that the technology is reliable. Subscribers have accepted the service enthusiastically, paying an average of \$7 per month for first-run movies. This revenue is sufficient to provide an excellent return on investment to the pay-television operator, and as a result Telecinema's parent company, Cablenet International Corp., is planning to expand from the 1,000-subscriber test system to the installation of approximately 10,000 home terminals, and is presently seeking the financing to do so.

Cablenet looks beyond the present movie offering to the introduction of live sports events, special cultural shows, and other special-interest programming. Experimentation has already begun with sports and children's programs produced by Home Box Office, and additional programming will be introduced in the near future.

Using the terminals, Cablenet intends to experiment with education pay television, including college-level instruction for credit, vocational education, and home self-improvement programming such as speed reading. The operator expects that the additional programming to be offered in the future will substantially increase the average revenue per home from the present \$7 level to \$12 a month or more. Since there are few hardware or operating costs associated with providing this additional programming, most of the increased revenue will go directly toward profits for the pay-TV operator.

Other applications

The establishment of a large-scale network of home terminals for per-program pay-television service is only the beginning. Additional data capacity is available in the CSC home terminal so that various other input devices such as intrusion and fire alarms can be connected at little cost, simply by attaching leads to the circuit board inside. Keyboards for opinion polling, home shopping, and computerized data retrieval are other possibilities—again with only a small amount of hardware. Remote reading of electric and water meters is also economically feasible. Because the incremental hardware cost for adding these services is small, low service charges would be sufficient to support them. And since a large number of terminals will be available in Columbus, the establishment of a profitable business providing one or more of these services is feasible.

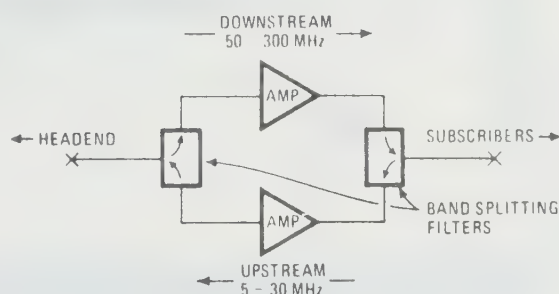
Cable TV specs

A CATV system is based on a high-integrity network of trunk amplifiers and trunk cable coming from the operator's headend transmission center. The trunk is designed to deliver signals to bridger amplifier areas with a minimum of degradation. Bridger amplifiers tap signals from the trunk for use in the bridger service area comprising about 100-200 subscribers connected by two to five miles of feeder cable.

Feeder amplifiers in turn maintain signal levels within the feeder network. The feeder cable system delivers signals to tap-offs located near subscribers' homes. From these tap-offs, signals are routed to home TV receivers on RG type coaxial cables (drops) usually shorter than 150 feet. The tap off takes enough signal from the feeder cable to serve four homes.

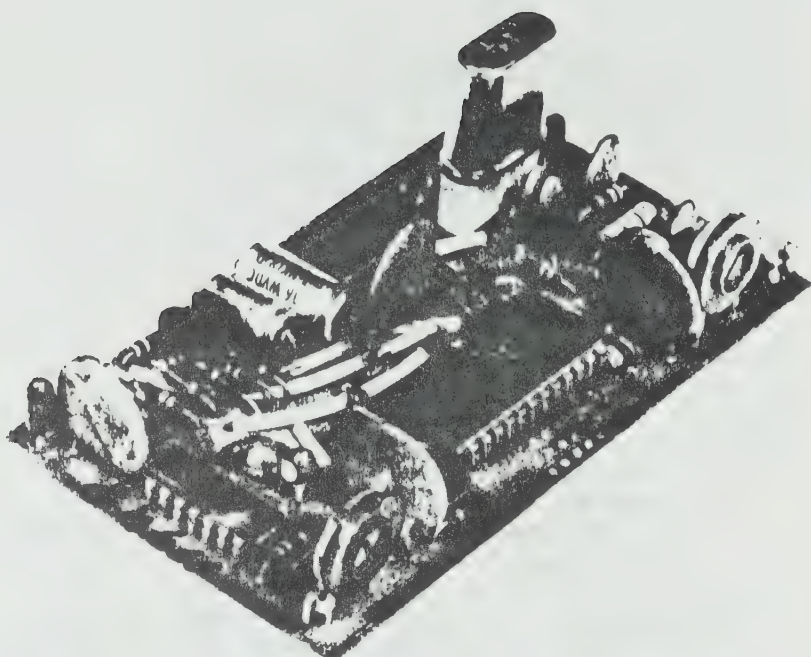
Trunk cables are of larger diameter (0.750 inch) aluminum solid sheath for lower attenuation than feeder cable (0.500 inch). Economy dictates smaller cables for the feeder.

Signals flowing in the downstream direction, from the headend to subscribers, use the vhf band from 50 megahertz to 300 MHz; signals in the upstream direction, from subscribers back to headend, use the sub-band from 5 MHz to 30 MHz. Amplifiers in two-way systems actually use an amplifier for each direction with band splitting/combining filters, as shown in the illustration.

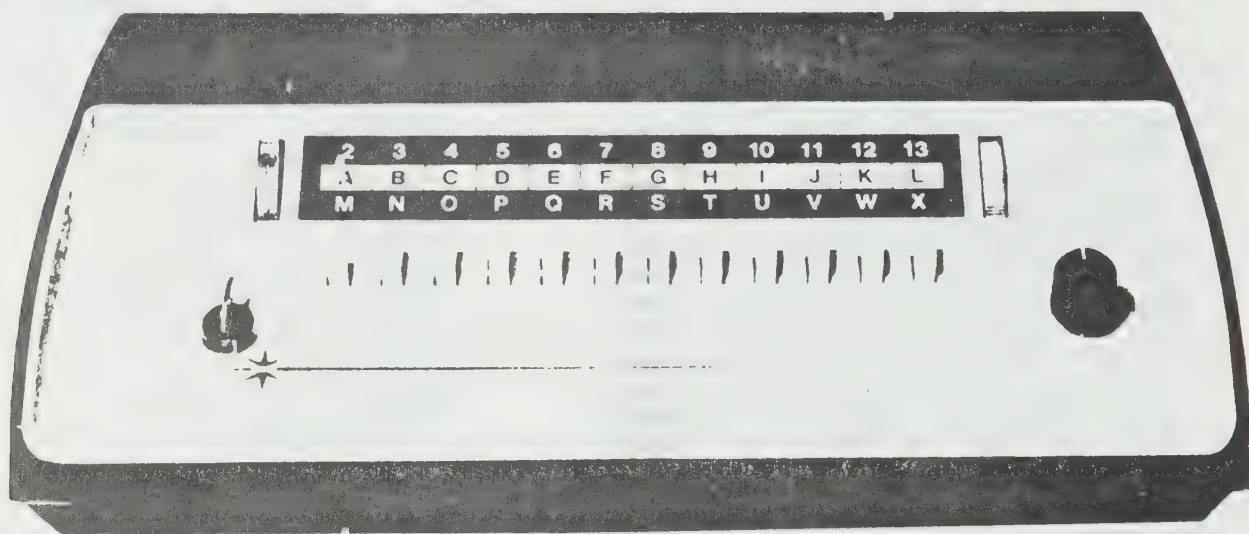


The CSC home-terminal system, not limited solely to cable television systems, can handle a variety of tasks in any broadband coaxial network. A variation of the CSC terminal system is presently being developed for use in motels, for example. The system consists of a home terminal similar to the one in the Columbus CATV system, but considerably simplified and offering fewer television channels. Microprocessor-based systems are under development to allow the installation of a complete pay-television system inside small and medium-sized motels and hotels. In addition to providing pay-television services, the terminal can also communicate room status, maid request, and television theft attempt. A stand-alone microcomputer terminal at the hotel desk connected to the room terminals will provide this information on a printout machine. Development is well along, with test installation anticipated early this year.

The CSC system has educational applications, too. In one situation, using a school's master-antenna TV



5. Alteration. By inserting a 2 1/4-by-4 1/4-in circuit board (top) into a standard cable converter, the operator is able to obtain two-way communication via a frequency-shift-keyed transmitter and data selector designed into the adapter board



(MATV) system, students have a small terminal equipped with a row of push buttons and an "enter" key. The instructor may use this arrangement to administer multiple-choice tests for grading purposes or for judging student comprehension of his lectures, and get an immediate computer printout of the students' responses. (The same technique can be used for opinion polling of subscribers over a CATV system.)

Television viewing surveys are possible with the CSC terminal, since it monitors the use of all the television channels available to subscribers. In the Columbus system, the computer generates a report every 15 minutes indicating the percentage of TV sets tuned to each of the television channels at that time. However, for a future audience appraisal plan, the CSC system can provide much more detailed and reliable viewing information than the present methods of testing over-the-air viewing because of the much higher percentage of homes sam-

pled at more frequent intervals by the cable network.

The interactive TV system is also useful in industrial, hospital, and business office applications where very inexpensive data-entry terminals are required. CSC terminals combined with a small television monitor, for instance, could provide a complete interactive data link with a local minicomputer for inventory control or accounting purposes. Since the terminal costs would be in the \$100-\$200 range, units could be available at many locations. □

ADDITIONAL READING

D. Stevens McVoy, "A Low-Cost Two-Way Home Terminal for CATV," TV Communications, October, 1974
John P. Taylor, "Two-way Pay-Cable System Automates Many Functions, Including Monitoring Audiences," Television/Radio Age, July 8, 1974
D. Stevens McVoy, et al., "Communications System for Data Transmission and Retrieval," Patent No. 3,786,424
D. Stevens McVoy, et al., "Communications System Encoder-Decoder for Data Transmission and Retrieval," Patent No. 3,832,690
Ernest K. Smith, "Pilot Two-Way CATV Systems," IEEE Transactions on Communications, Vol. Com-23, No. 1, January, 1975

STATUS OF MULTI POINT DISTRIBUTION AT JUNE 30, 1976
(apartment buildings served by MDS or cassettes)

Market & Marketer	Pay TV Subscribers	Total Apts. In Buildings	% Pen. of Potential	Monthly Rate
Arlington Heights, IL (TeleTheater)	180	1300	13.8%	\$11.95
Atlanta, GA (Cox Cable)	2500	7000	35.7	10.00
Atlanta, GA (Select Cinema)	400	1000	40.0	12.00
Atlanta, GA (Video Theatre)	2225	2225	100.0	(a)
Baltimore, MD (Premium Cinema)	900	4500	20.0	9.95
Boston, MA (NPS)	*			
Chicago (Channel Xtra)	2000	12000	16.6	12.50
Chicago (NPS)	*			
Denver, CO (American TV)	125	500	25.0	10.00
Detroit, MI (Tele-Screen)	300	1600	18.7	12.00
Honolulu (E Channel)	750	4500	16.6	11.95
Houston, TX (Multipoint-Texas)	1100	8000	13.7	11.95
Indianapolis, IN (Cinema-Vision)	150	1100	13.6	12.00
Jacksonville, FL (NPS)	*			
Kansas City, MO (Sammons)	430	1200	35.8	9.95
Los Angeles, CA (Theta Cable)	150	150	100.0	(a)
Memphis, TN (NPS)	*			
Miami, FL (Midwest Corp.)	2200	25000	8.8	8.50
Miami, FL (NPS)	*			
New Orleans, LA (Entertainment Network)	75	920	8.2	7.00
New York, NY/Philadelphia, PA (#)	8000	23000	34.8	10.00

Market & Marketer	Pay TV Subscribers	Total Apts. In Buildings	% Pen. of Potential	Monthly Rate
Orlando, FL (BEST)	150	700	21.4	\$12.00
National Prof. Services group *	2000	6700	30.0	12.00
Phoenix, AZ (Tele-Features)	155	1365	11.4	10.00
St. Louis, MO (TM-Cinema 8)	500	2500	20 0	9.50
Schiller Park, IL (Video Films)	170	2500	6.8	10-12
Tampa, FL (NPS)	*			
Washington, DC (Marquee Entertainment)	1800	12000	15.0	10.00
Washington, DC (Tele-View)	2000	14000	14.3	12.00
	28260	133760	21.1	

(a) Bulk-rate marketing, all tenants in building receive pay TV.

(*) City-by-city figures not available from National Professional Services, group shown in one listing under "National Prof. Services group." NPS took over operations of Video Theatre Intl., reports apt. pay TV discontinued in Ft. Lauderdale, Detroit and Atlanta.

(#) Figures released by Home Box Office for master antenna subscribers served by MDS in New York and Philadelphia. Includes apts. marketed by Ortho-O-Vision, CineVideo, others.

Source: Paul Kagan and Associates.

October 1, 1976

COMMENT
COMMENTAIRE

77

M. Guy Lefebvre,
Secretary-General,
CRTC,
100 Metcalfe Street,
Ottawa, Ontario

Dear M. Lefebvre;

Enclosed please find a summary statement of the Council of Canadian Filmmakers' submission on PAY-TV.

We apologize for the fact that this submission is incomplete and request permission to forward to you our full submission, including research data, survey studies, and bibliography, within the week.

Yours truly,

Sandra Gathercole

Sandra Gathercole

Chairperson
Chairperson

Received by - Reçu par
SECRETARIAT

OCT 3 1976

C.R.T.C.

Box 1008, Station A, Toronto, Ontario M5W 1G5. telephone (416) 869-0715

1001-1003, Station A, Toronto, Ontario M5W 1G5. telephone (416) 369-0716

SUMMARY
of the
COUNCIL OF CANADIAN FILMMAKERS
PAY-TV POSITION

Submitted to the CRTC

October 1, 1976

A) BACKGROUND

- 1) On June 2, 1976, the Hon. Jeanne Sauve, Minister of Communications, reversed the December, 1975, decision of the CRTC to postpone the introduction of PAY-TV service in Canada.

The Council of Canadian Filmmakers acknowledges the validity of the concern which caused such a dramatic policy reversal and fully endorses the necessity of Federal jurisdiction over this fourth phase of broadcasting in Canada. However, we believe that the decision was taken as a result of forces which are essentially external to the needs of the Canadian audience and the Canadian program production industry.

We are, therefore, concerned that these pressures will propel us forward at a rate which invites disaster by disallowing such safeguards as public hearings, and which will not ultimately serve the interests of the audience or the production industry.

- 2) We believe that PAY-TV is of no intrinsic appeal nor benefit to either the Canadian consumer or the Canadian producer, and that it possesses equal potential for good or ill. Whether it benefits or defeats our broadcasting and production goals will be entirely determined by the design of the system. We therefore believe that the structure should take precedence over the concept. Unless a PAY-TV system can be carefully structured for the benefit of this country, its consumers, broadcasting system, and program producers, we do not believe that PAY-TV should be introduced into Canada.

We therefore believe that public hearings on this matter of massive

national significance must be held by the CRTC, and that those hearings must examine the primary question: " Why PAY-TV? ". We find the present answers to that question inadequate in themselves to justify the introduction of PAY-TV.

- 3) Further, we believe that PAY-TV must be considered in the context of our existing delivery systems and their occupation by foreign programming. The present state of those systems is a national disgrace. 96% of films in our commercial theatres are foreign. 60-80% of our educational films purchased by the school systems are foreign. 66% of our television viewing time is devoted to foreign programs. 93% of commercial theatrical film rentals are paid to foreign corporations.

If PAY-TV is to become another statistic in that list, it will represent a larger threat, and a bigger mistake, than any of our previous decisions which have gone to create the present situation. And it will represent a basic mistake in judgement which cannot be attributed to ignorance given our past experience.

Most of our problems stem from the fact that we have historically rented out our main arenas and then found ourselves locked out of distribution/exhibition systems which were functioning to serve American rather than Canadian production. PAY-TV is our last main arena. It cannot be rented out at any price. If PAY-TV functions as an American movie channel, with the marginal economic benefit and major cultural erosion which such a system implies, 15% of anything will not compensate as a rental fee.

- 4) The cosmetic imposition of a PAY-TV system over the existing problems of our theatrical, cable and off air systems, will solve very little unless it is designed to redress the current situation. It is not enough that it not do further damage to those systems: it must function to correct the damage already

done, or it must be postponed until such time as the basic system has been improved by other means.

5) None of the specific models for PAY-TV which we are aware of can claim to serve the above requirement. Indeed, most appear to us to have more potential to compound, than cure, our ills.

6) For these reasons, this submission will propose an alternative model for the introduction of PAY-TV in Canada. The main functions of this model are to:

- provide a premium television service to the Canadian audience without disrupting or damaging the existing broadcasting system
- fund a quantum leap in independent Canadian production
- provide a guaranteed market access for such production

We believe that this is the optimum model for meeting the massive needs of the program production industry, given the political, cultural and economic realities of our situation.

7) Our proposal consists of two phases. Phase one is proposed as an introductory phase to operate for the initial five year period of operation. Phase one involves no new hardware and reduces start up costs to those of transmission. It maximizes use of existing facilities and eliminates most of the costs usually associated with the introduction of PAY-TV service. Phase two is an open access pay per program system which can coexist with phase one, or replace it, depending upon our broadcasting needs and capabilities in five years time.

B) PREMISES OF PAY-TELEVISION

1. The optimum pay-television system for Canada must achieve the following four goals:

- a. Pay-TV must increase access to the medium for Canadian groups and individuals who are presently denied such access because of the pressures which vertical integration of the television structure and mass audience programming create. This problem is not only acute for independent program producers, but also for such national institutions as the Stratford Festival or the National Film Board.
- b. Pay-TV must increase the variety of programming available to the viewer by using the subscriber-supported economic base to allow minority interest programming to find its audience. Pay-TV must not be dominated by the lowest common denominator programming pressures which advertiser-supported television foster. Unfortunately, these pressures are present even on the quasi-public network which the CBC has become.
- c. Pay-TV must increase revenue to the Canadian program production industry (public or private). High quality programs must be developed on a regular basis. The existing vertically-integrated television system is underfinanced and has not developed an economic base strong enough to create an internationally competitive program production industry. While Canada cannot produce huge quantities of expensive quality production, it is a national disgrace that we have produced so little. We have exported our raw talent rather than our finished programs. Only money can solve this problem- and lots of it over a long period of time.

d. Pay-TV must not only avoid increasing the cultural alienation of our broadcasting system through overwhelming dependence on foreign production, but it must begin the overdue process of repatriation of Canadian television. We simply cannot afford the cultural price of yet another distribution outlet for American material (not to mention the economic price). Basically, pay-tv must be a distribution system for Canadian material.

2. With these four objectives in mind, the ideal pay-tv system for Canada would be a universal common carrier pay-per-program mandatory Canadian content service. Such a service would accentuate the fundamental economic difference between mass audience advertiser-supported television and minority audience subscriber-supported television. It would also accentuate the difference between minimum access national network television which presently exists and open access national network television which creates broad uncharted possibilities.

However, such a system has practical problems which mitigate against its immediate implementation:

a. At present there is neither the program production base nor the backlog of suitable Canadian material to meet American competition for the consumer's relatively inelastic entertainment dollar. Therefore, without an extremely high Canadian content quota, pay per program would be a bonanza for American movies and Canadian production would have great difficulty getting off the ground. Time and money are needed- pay per program may not provide either.

b. The technology required to provide the necessary security, metering, and billing for a pay-per-program system is both expensive and immature. It would be foolish to commit the future development of the Canadian market on untried hardware at this point in time. The technology is evolving and becoming less expensive. The first universally feasible system is probably one or two generations and four or five years away- at least.

c. We may discover that pay-tv may not survive the competition from a combination videodisk/wall screen/lending library. We should not commit to any technology since obsolescence of concept as well as design is a distinct possibility.

3. We have put our limited resources into the hardware and let the Americans do our program production for us. We have spent millions to extend coverage by satellite so that every Canadian can get American programming. We have the largest and best cable system in the world- so we can all watch American channels (as if Canadian channels don't carry enough U.S. programs). What does this first rate hardware deliver? Second-rate Canadian programs. We hear people claim a small country can do no better, but we can always afford the best hardware. We must reverse this historic Canadian foolishness. We can no longer afford not to have competitive quality Canadian programs- at least some of the time.

Pay-TV must be part of the solution to the program production difficulty and not part of the problem. We believe that pay-tv can help solve this problem if it is developed in a phased approach. The first phase must

solve our basic programming problem and help develop the production capacity needed to cope with the potential of the second phase.

Pay-TV must therefore minimize the technological investment and maximize the software investment by making flexible use of existing technical facilities and weighting every aspect of the system towards program production. High quality Canadian programs are not a gaudy frill, they are a national necessity if culturally, economically, and politically distinct Canada is to survive the 20th century which Sir Wilfred Laurier bequeathed to us. That inheritance has been squandered. Pay-TV must be part of a larger process which is nothing less than recapturing our future. We believe Pay-TV can do this if our model is followed.

C) PHASE I MODEL

1. Universal mandatory cable subscription

- a. Every cable subscriber in the country would receive the pay-tv channel as part of the basic cable service. The pay-tv channel would replace an American channel presently available on the basic 12-channel VHF service where necessary. The U.S. channel would be moved to the mid-band and would be available with a converter.
- b. Essentially this means that there is no technological investment except the cost of national distribution. The "black box" is not needed because everyone with cable gets the service. This also means that a substantial revenue is assured. Penetration is a simple 100% of cable subscribers. This means that the American channels being distributed by cable are being taxed indirectly to support Canadian production. If Canadians want American channels

badly enough, they will pay into a production fund for Canadian programs. Cable has been the cause of substantial economic and cultural damage without being the cause of recovery. Pay-TV will have one basic purpose with this model- the creation and dissemination of high quality Canadian programs.

- c. Cable rates would be increased by \$3.00 per subscriber / month. Some subscribers will choose to disconnect and other will choose to connect. Assuming pay-tv commences in 1978, we assume that subscribers in Saskatchewan, Prince Edward Island, and Newfoundland added to incremental increases elsewhere will provide a solid base of 3,000,000. This is a deliberately conservative estimate to allow for substantial disconnects caused by the rate increase. We believe that the vast majority of subscribers will choose to pay rather than go without their American channels. Thus, the pay-tv system will have \$108,000,000 annual income without hardware costs (except for national transmission of the signal). The rates could be raised six months prior to the commencement of service to provide start-up money.

2. Public sector control

- a. Program development and acquisition, national marketing and promotion, and program distribution would be undertaken by a federal crown corporation which we will call the Canadian Pay Television Network. This corporation will develop programming which it will provide to the cable company head end for local distribution. It will collect the subscribers fee from the cable company (less fees paid to the cable company for services- see below) and purchase or invest in programming. It will not produce programming in-house or build facilities for that purpose. Existing crown corporations

have vested interests and bureaucracies which a new organization avoids. The development and maintenance of this system simply cannot be entrusted to private enterprise- especially since it is a monopoly system.

- b. The Canadian Pay Television Network Corporation will provide national distribution of the signal. This means using the satellite as the backbone of the system with microwave connection and possibly multipoint distribution system to reduce earth stations to a minimum. Costs are imprecise, but such a distribution system could easily be supported for \$12,000,000 annually.
- c. The corporation would also provide national media promotion and the viewer's television guide. The organization should be divided into two language groups perhaps along the lines of CBC/Radio Canada. It should also have regional offices with autonomy to commission a percentage of the total budget. These offices could be in Vancouver, Toronto, and Montreal (French), and possibly Winnipeg and Halifax. If a project is rejected in one regional office, it could be accepted in another. There must be a tradeoff between regional autonomy and centralized mass, but at the minimum there should be three offices with general budget autonomy to avoid giving one person or one group too much control.

3. Private sector production and local distribution

- a. The CPTN would invest in programming from any available Canadian source. This would be done to a certain amount in conjunction with the CFDC and other groups. The private production community would get preference, but public

agencies such as the NFB would certainly not be excluded.

- b. Each cable company in the country would get the signal. It is possible that some systems would be too small or remote to justify interconnection. They could be supplied on a bicycled tape basis which would remove them from live event programming. However, we believe that if the cost of earth stations are spread over the entire system, then every system should be connected. As of August 31, 1975, 44.5% of all TV households in Canada subscribed to cable television. In areas capable of getting cable, penetration was 77%. This was approximately the same percentage of coverage when CTV went on the air. As unlicensed areas are added to the cable grid, over half of all households will soon be connected. We believe that universal access to pay-tv will have to wait until Phase II. Basically, the cable companies would function as common carriers and they would lease their services which would include billing and maintenance. They would invest in the siting of the ground station in return for a consideration. The ground station itself would be leased and serviced by Telesat.

3. Revenue breakdown

- a. Over one half of the gross annual revenue from this pay-tv system would be spent on Canadian program production. This is over \$50,000,000. Here is how it is done:

12%- national transmission expenses

Approximately 36¢ (out of \$3.00 monthly) would allow \$12,000,000 to be spent on the satellite, microwave system. This includes two transponders at \$4,000,000; 200 earth stations at \$19,000 leased each for \$3,800,000; three sending stations at \$300,000 each (Montreal, Toronto, Vancouver); plus microwave interconnect

at an average cost of \$750 per year/mile; and equipment and staff.

10%- local cable services

Approximately 30¢/mo. will be paid to the cable operator to cover his increased service/administration costs with a margin for profit.

3%- Canadian Pay Television Network Corp.

Approximatley 9¢/mo. to cover overhead and promotion and marketing expenses for the entire system. The CFDC runs on an overhead under \$500,000 annually.

30%- Foreign and domestic program acquisition

The network should program 8 hours daily in each language with substantial repeat programming and subbed programming. Each language network would schedule 2,912 hours/yr. with approximately 1,000 hours of new programs. This means approximately \$30,000,000 to buy 2,000 hours of programming per year (counting 1,000 hours for the English network and the same for the French). This breaks down to about \$15,000 per hour. This would be a low figure except for the Canadian program production fund below.

45%- program production fund

This fund would be divided into two parts. Approximately 30% of the gross revenue or \$30,000,000 would be made available for feature film investment (to be recouped only when the film reaches a profit position). The objective would be 26 large budget films annually. This fund would invest in project development in conjunction with the CFDC. If a project required a substantial sum, it would be possible to make the film through pay-tv.

The second part of the sum (\$15,000,000) would be advanced for non-feature production including co-production funds for commercial television (CTV or CBC) to be broadcast off-air. The purpose of this fund would be to improve the quality of Canadian television. This fund could be tied to programs which

are produced by the independent program production industry. Pay-TV Network would benefit from possible international sales as a co-investor or possibly repeats.

- b. With our assumption of 3,000,000 subscribers at \$3.00 per month, the total annual income for pay-tv is \$108,000,000. The above figures assume an annual revenue of \$100,000,000. Thus total annual allocation for program acquisition and production is \$75,000,000. Canadian content should not fall below 60% and should attempt to reach 80%. The CRTC should insist that programs from any one country should not exceed 15% of time aired and Canadian content in prime time should be at least 80%. The Bureau of Management Consulting report on the film industry estimated that total film and video production for Canada (tv and non-tv) was \$150,000,000. Everyone agrees that Canadian program production is underfinanced. Pay-tv investment of \$60,000,000 would make an incredible difference (assuming that half of the \$30,000,000 for program acquisition is spent on foreign material- actually only one third should be spent in this area- but foreign blockbusters will be necessary on a once a week basis to maintain program variety).

D) PHASE II MODEL

1. Pay per program

- a. We assume that for a period of five years Phase I will be sufficient. At the point when the cost of pay per program technology had declined and its efficiency had increased, we think Phase II should begin. This channel could occur in place of or next to Phase I.
- b. Phase II would be delivered both by cable and off-air to allow universal

access (both by program producers and viewers). It would be tied into a cable system which would offer many other services. Phase II would definitely be a step toward the wired city. However, that step would be taken with a program production industry which is fully functional.

- c. At this point a truly Canadian channel might not be considered an impossibility, nor might demand programming, nor anything else. We have seen the future and it might just work. We simply must approach with daring.

E) CONCLUSION

1) We submit that the above model for the introduction of PAY-TV would provide a supplementary, and complementary, national network offering a rich mix of alternative programming for minority as well as mass audiences. We believe that the net effect on cable operators, off air broadcasters, audiences, and the program production industry would be positive and that the system has the potential to reverse most, if not all, of the drains which now exist on the production industry.

2) The benefits directly provided to production, and indirectly provided to other sectors, are indisputable:

- it would make an asset of the fact that Canada is the most cabled country in the world by utilizing that existing technology
- it would create the secure financial base, and guaranteed market, necessary to support the development of a viable production industry
- because of the low cost and difficulty of disconnection, it would reduce audience demand for American programming and permit the establishment of truly diverse broadcasting alternative with high Canadian content
- it would wean movie audiences away from the commercial theatres, where all revenues go to foreign companies, and onto a system where all revenues go to Canadian production
- it would overnight turn Canada into a net importer of film talent and reverse the historical flow of our best talent out of the country
- because of the massive infusion of production funds from a stable and guaranteed source, it would create a temporary "hothouse" environment for Canadian production which would allow it to recuperate from its present emaciated state and prepare the expertise and material on which the success or failure of a

3) With the advent of new technologies, a pay per program system of PAY-TV is likely to be eventually inevitable. In its present state, the Canadian program production industry would be severely disadvantaged, if not obliterated, in such a competitive situation. It appears that the video disc, among other factors, would prevent protection via Canadian content regulations once a pay per program system was in operation. It therefore would seem that the most appropriate response to PAY-TV in Canada at the present time, would be to prepare ourselves to compete.

We believe that the system for the introduction of PAY-TV here proposed has the components with which we can do just that. In addition to its immediate advantages for the audience and the production industry, this model will develop:

- an audience appetite for good Canadian productions, and acceptance of such production as equal or superior to foreign production
- a production industry which is strong enough, rich enough, and experienced enough to have a reasonable chance of success in any competition for viewers

4) The CRTC asked, in its position paper for the June, 1975, hearings on PAY-TV:

" Can a (PAY-TV) service be developed, devoid of commercial content and without interruption of program material, which will be of sufficient interest to the public to be marketable and financially sound, and at the same time provide a new impetus to the growth of the Canadian program production industries? "

The Council of Canadian Filmmakers submits that the answer is yes.

Received by - Regu par
SECRETARIAT

OCT 5 1976

C.R.T.C.

Stuart Marwick
17 St. Andrew's Gardens
Toronto, Ontario M4W 2C9

September 30, 1976

The Canadian Radio-Television and
Telecommunications Commission
100 Metcalfe Street
OTTAWA, Ontario

COMMENT
COMMENTAIRE

Submission: STRUCTURE OF PAY-TV FOR CANADA

Commissioners of the CRTC:

The Commission has called for submissions on the form and function of an organization to deal with Pay-TV in Canada. This request suggests an assumption of inevitability on the part of the Commission which I challenge.

However, uncertain though I may be that this prospective innovation is needed by Canadians at all, I do have certain views on the suitable parameters for any system which might one day come into existence. I place these on the record as follows:

1. Any structure should be a 100% independent public agency.
2. Any Pay-TV system should have majority Canadian content in its programming.
3. Any Pay-TV system should enhance local and regional production to a considerable degree.
4. Any nation-wide Pay-TV system should return no less than two-thirds of its gross revenue to Canadian production.
5. Any Pay-TV system should not require more than one-third of its gross revenue for system technology and administration.
6. Any nation-wide system which does not offer a minimum of \$50 million per year to Canadian production is not worthwhile.
7. Any Pay-TV system should be sufficiently flexible to permit rapid adoption of other innovations and services as they come on stream and are deemed by Canadians to be desirable.
8. The bottom line rationale for the introduction of any Pay-TV system should be that the quality of Canadian programming will be increased, as well as the quantity.

Having indicated the foregoing, let me provide an unmistakeable statement

of what I am opposed to vis-a-vis Pay-TV: I am 100% opposed to any structure for Pay-TV which would further consolidate the financial grip of a few monopolistic media barons on Canada's communication systems. I have in mind, specifically, the consortium behind the cable industry-backed proposal which has been much discussed all this past summer. The record of such private interests with regard to quality broadcasting which serves public and social purposes is abysmal. The record of the cable industry with regard to serving community objectives through its facilities is equally abysmal. Taking into account the huge profits reaped by the proprietors of such concentrations of media and delivery systems, the situation is abominable. The thought that Pay-TV could become a reality along the lines proposed by members of the cable industry is untenable, undesirable and unacceptable. The public interest should predominate to the exclusion of low-grade commercial schlock-merchants.

I have a particular proposal to put to the CRTC which I have not heard expressed by any participant in the many discussions I have organized, chaired or otherwise been involved with during the past two months. This notion confronts the oft-repeated assertion that it is only the private sector which has the know-how and financial ability to generate the "huge" capital investment required to get a Pay-TV system off the ground.

The principal cable-industry-promoted proposal for Pay-TV assumes that capital cost of the necessary decoder technology would be debt-financed by the organizers of the network. It is further assumed that security is a problem in that the decoder units may be stolen or otherwise disappear. Finally, it is assumed (for public consumption, at least) that the decoders, installed, would cost about \$150.00 each. A million-subscriber system would thus require \$150 million capital investment, by this reasoning, with a sizeable shrinkage/loss factor besides.

Other sources indicate that decoder costs might more accurately be pegged around \$10.00 or so but, for purposes of illustration, let us use a figure of \$20.00 per unit. Let the prospective Pay-TV subscriber lend the system this money as a deposit to be refunded when the decoder is returned. On this principle, even \$150.00 could be 'loaned' to the system, (with suitable adjustments for opportunity cost to the depositor) by each subscriber...involving an investment certain to be far less than that already tied up in equipment in the form of receivers. Thus, debt-service is virtually eliminated as a cost to the system. Organized on this basis, the question of excess profits after the initial capitalization has been liquidated (a situation, incidentally, never referred to by the cable industry spokesmen) does not even arise.

With the capital investment/risk argument eliminated, we can posit a Pay-TV system which, charging only \$5.00 per month on a pay-per-channel basis, would still generate (in a million-subscriber system) a gross of \$60 million, of which most could be ploughed directly into programming.

Such a proposal, if acted upon, would tend to enhance a pay-per-programme approach which could be accessed by any producing organization since the rationale for pay-per-channel (reduction of risk) is eliminated. I tend to favour the pay-per-programme approach if it results in more involvement by independent organizations of all kinds --- theatrical, sports, community, educational, etc.

Major questions concerning the structure of any Pay-TV system remain unanswered and, for the moment at least, unanswerable. These questions include whether or not pay-per-channel is a better basis for the system than pay-per-programme; how to ensure a sensible apportionment of local and national programming on Pay-TV; how many channels, anyway; possible effects on off-air broadcasting (probably bad); and many more.

All such questions seem to me to argue for a pilot experiment to be conducted before any large-system decisions might be made.

Finally, although not called for by the CRTC, I wish to comment on the decision-making process itself which is to determine the outcome of this situation. I am already on record with the Minister of Communications as desiring (along with over 200 other organizations across the country) an extension of the timetable for decision and as requiring public hearings before the CRTC as an aspect of the process. These, I wish to state here, are merely my minimum requirements in connection with the rendering of any decision on the structure of Pay-TV for Canada.

Though I question that it is desirable in any way to move toward television which is not 'free' for all Canadian, it is true that Pay-TV as a prospective innovation offers us the possibility of designing this particular future from scratch. There is no structure presently in place which must be 'protected' from that sort of compromise which favours the public interest. However, the planning of an innovative system in the public interest is beyond the capabilities of the existing decision-making process of which the CRTC is itself a part. The present machinery, quite frankly, is inadequate in that it is essentially covert, unchallengeable, non-participatory, unappealable in legal terms and, quite demonstrably, can too easily be circumvented altogether, inadequate though it may be. This has been demonstrated by the actions of the present Minister of Communications who proposes to make the final decision regarding Pay-TV without public hearings at all. I am horrified that a Minister of the Crown should seek to sidestep the only process we have which offers any opportunity for public input...even though there is virtually no opportunity for public debate, public scrutiny of the decision-making process, involvement of the public in decision-making or appeal in the courts against regulatory decision when the basis of decision is held secret.

While I recognize that the CRTC has frequently been on the side of the angels in the regulation of Canadian broadcasting the fact is that the track record of licence cancellations and upgrading of Canadian production with corresponding reduction of American programming is not terrific. Much of what you do goes on in secret and I object to that. I have only to turn on my radio or television to be subjected to mindless, banal tasteless commercial programming to confirm my view that the decision-making process is not working if its purpose be to ensure that the airwaves are, indeed, public property and that social ends shall be served.

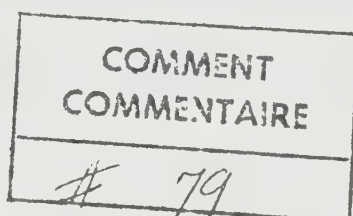
Yours truly

Stuart Marwick
Stuart Marwick

Member: Board of Directors,
Canadian Institute on Public Affairs
Canadian Broadcasting League
Assistant Professor, York University

ASSOCIATION DES RÉALISATEURS DE FILMS DU QUÉBEC
3466 St-Denis, Montréal, Qué. 844-2457

*Président
972-21/
pay (TV)*



30 Septembre 1976

Monsieur Boyle, président
au Conseil de la Radio-Télévision
Canadienne
100 rue Metcalfe
Ottawa, Ontario

Received - Reçu
Executive Assistants Office
Bureau du Chef de Cabinet

OCT 4 1976

C. R. T. C. - Ottawa

Cher monsieur.

L'Association des réalisateurs de films du Québec vous fait parvenir sous ce pli sa prise de position sur le sujet de la télévision à péage. Vous constaterez qu'elle ne contient qu'une seule véritable recommandation demandant au CRTC d'en retarder l'avènement.

Le dossier de la télévision à péage est trop complexe et délicat pour qu'on ne fasse preuve d'une extrême prudence et d'une extrême sagesse. Le milieu du cinéma et le public québécois, d'autre part, n'ont pas encore eu la possibilité de se familiariser vraiment avec ce dossier.

Nous avons, à l'A.R.F.Q., commencé à établir un plan de fonctionnement (type de contrat, contenu canadien, contenu cinématographique, type de campagne, ainsi de suite) mais nous ne le faisons pas parvenir au CRTC pour indiquer clairement que nous trouvons l'entreprise trop prématurée et le débat trop obscur.

Ce plan risquerait du reste d'être interprété comme une proposition ferme, ce que nous sommes incapables de faire pour le moment.

Nous vous assurons donc de notre collaboration la plus entière.

/cf

Claude Paré Sec.
Pour :

Jean-Pierre Lefevre
Vice-Président
Association des Réalisateurs
de films du Québec

Prise de position de
l'association des Réalistes
de films du Québec, devant
le C.R.T.C. sur le sujet de la
télévision à péage.

Septembre 1976

Contenu du document

- I.- Introduction
- 2.- Recommandation
- 3.- Suggestions
- 4.- Annexe.

I.- Introduction

L'Association des Réalisateurs de films du Québec regroupe l'ensemble des cinéastes québécois qui depuis près de 20 ans ont fait le cinéma d'ici.

Ce cinéma d'ici - d'abord reconnu à l'étranger - a jusqu'en 1968, année de la création de la Société de développement de l'industrie cinématographique canadienne, essuyé l'indifférence la plus totale des gouvernements fédéral et provinciaux.

La création de la Société de développement de l'industrie cinématographique canadienne, toutefois n'a pas véritablement amélioré la situation puisque les vrais problèmes, ceux de la diffusion, distribution, exploitation, ont été sciemment laissés de côté par crainte de froisser les "industriels" du dumping (dont 51% d'américains) aussi bien que ceux de la libre entreprise indigène. L'Honorable Jeanne Sauvé ne s'en cache d'ailleurs pas en affirmant que: "Dans le cas du cinéma, des intérêts étrangers se sont en effet assuré un quasi-monopole de la distribution et de la projection des films, ce qui leur a permis de contrôler les fonds consacrés à la réalisation de nouvelles oeuvres. (1) Cette déclaration, toutefois, n'identifie que les conséquences et omet de nommer les causes principales: l'attitude du gouvernement fédéral en général (politique intérieure et politique extérieure) et celle, en toute logique, de la totalité des organismes directement concernés par la production et la diffusion de la culture, de l'information et du divertissement au Canada.

Ces organismes, à savoir l'Office National du film, la Société de développement de l'industrie cinématographique canadienne, Radio-Canada, et Canadian Broadcasting Corporation, par leur puissance et leur omniprésence ont d'autre part encouragé les gouvernements provinciaux à dormir sur leur inertie. Mais par dessus tout ils nous ont forcé d'adopter un menu culturel et économique copié de l'étranger, la SDICC. en tout premier lieu qui dès sa création a laissé - et laisse toujours - les distributeurs et les propriétaires de salle faire la loi en économie, donc en culture; Radio-Canada, en second lieu, qui, timidement, s'est ouvert au seul cinéma québécois et canadien grossièrement conforme à sa programmation "a-culturée" pour des fins évidentes de rentabilité. (2)

C.B.C. qui n'a, pour ainsi dire, jamais rien fait pour le cinéma tant canadien que Québécois; l'Office national du film, enfin, qui à son tour est entré dans le jeu du commerce et a, de ce fait, appuyé les tendances de la SDICC. tout en faussant complètement les lois déjà amplement faussées par les contrats spéciaux, à des prix spéciaux, entre Radio-Canada et lui.

Le problème du cinéma au Canada et au Québec reste donc entier. Il n'a d'ailleurs de véritable solution que politique. Seul un plan bi-latéral, fédéral et provincial, d'expansion de la production culturelle, d'écudation, de diffusion et de protection d'un territoire humain et social multiple, seul un tel programme pourrait

donner au Canada, sinon une quelconque unité nationale, du moins une unité de communication et de participation.

Dans les conditions actuelles il serait donc à craindre que l'avènement de la télévision à péage accentue le fractionnement et l'anarchie qui président aux politiques - ou plutôt l'absence de politiques adéquates - dans le monde de la naissante cinématographie canadienne et québécoise. La télévision à péage serait pure redondance, car en accélérant l'industrialisation de la culture et de la communication et du divertissement sans avoir fait table rase de la main mise étrangère et du type de fonctionnement identique des concurrents locaux, elle confirmerait à jamais la prédominance de la culture de l'industrialisation.

Si l'allocution de l'Honorable Jeanne Sauvé en date du 2 juin 1976 contient à cet égard plusieurs déclarations de principes, qui indiquent que la situation actuelle devrait être radicalement transformée, et si cette allocution est considérée par M. Harry J. Boyle comme "a national policy of cultural security" (3), l'ensemble des débats autour de la télévision à péage porte malheureusement sur des problèmes d'investissements et de bénéfices. Ainsi Monsieur Hugh Faulkner, ex secrétaire d'Etat, affirmait: " Le problème, c'est d'arriver à ce que les Canadiens, tant ceux qui créent que ceux qui profitent des créations, reçoivent leur part" (4).

Cela, à priori, ne peut que nous réjouir, jusqu'au moment où M.Faulkner ajoute: "Pour étudier le défi que doit relever l'industrie cinématographique canadienne, ou, si vous préférez, l'industrie de la production..." (4)

Dans une lettre adressée à Mlle Carole Langlois de la SDICC (voir annexe) nous déplorions que ce soit une idéologie de production et de rentabilité qui, de façon exclusive, détermine la fabrication de ce que la SDICC appelle dans son mémoire sur le sujet de la télévision à péage des "films canadiens d'une qualité supérieure". (5) Force nous est de déplorer plus encore la tendance générale à considérer la télévision à péage comme une machine à profits - même si ces profits devraient, pour une fois, être exclusivement canadiens. Entre l'exploiteur étranger et l'exploiteur local, nous ne faisons aucune différence. Eux, d'ailleurs, n'en font pas, ainsi que le prouve l'admirable confession de Monsieur N.A.Taylor dans une lettre au rédacteur en chef du Toronto Daily Star: "Cependant, tous sont fiers, lorsque l'occasion se présente, de distribuer un film canadien de valeur qui remplit les salles. Les chaînes cinématographiques, ainsi que tous les autres exploitants de cinéma du pays ont la même motivation, à savoir, le profit. Ils ne projettent pas un film parce qu'il est canadien mais ils sont heureux et fiers de le présenter s'ils pensent qu'il aura du succès.

(...) il n'en demeure pas moins qu'au cours des dernières années les chaînes de cinémas ont perdu des millions de dollars en présentant des films canadiens sans valeur, pour lesquels le public n'était pas disposé à payer." (6)

C'est clair, pour monsieur Taylor et ses semblables, qui se précipitent massivement sur la télévision à péage, un film de valeur est un film qui rapporte.

Ce que nous voudrions faire ici ressortir par dessus tout, en espérant que cela ne se reproduise pas si une télévision à péage voit le jour au Canada, c'est le profond mépris des "hommes d'argent" à l'égard du public qui ne signifie rien d'autre pour eux qu'un signe de piastre. Et c'est du même coup l'inertie d'un gouvernement qui par ignorance et/ou indifférence et/ou accord tacite les laisse ainsi "tripotter" une société.

Nous avons, à l'A.R.F.Q., la plus longue expérience de contact et de communication avec le public. Nous totalisons des milliers de films de tout ordres et de qualité diverse, dont la grande majorité sont "commerciallement difficiles d'accès pour la simple raison qu'ils sont "différents de fond et de forme." cela pour la simple raison qu'à un degré ou un autre ils nous ressemblent.

Mais encore faudrait-il faire la preuve que la majorité de nos films sont difficiles d'accès, parce que jamais jusqu'à ce jour, ne fut tentée à travers le Canada, une véritable aventure d'éducation et de diffusion; parce que ~~toujours~~ les destinées de notre cinéma furent entre les mains de quelques individus qui, à l'O.N.F., à Radio-Canada à la SDICC et à CBC ont toujours gouverné de façon occulte et paternaliste, et qui est plus, de connivence avec les hommes de profits.

Comment alors ne pas envisager avec appréhension l'avènement de la télévision à péage qui confirmera de façon hâtive et définitive, les normes de rentabilité de notre culture, aussi bien au Canada et au Québec qu'à l'étranger puisque "le réseau de télévision à péage devrait normalement jouer le rôle de distributeur, et c'est lui qui se chargerait de vendre des émissions canadiennes sur le marché international et d'acheter en retour des productions à l'étranger. (1)

- (1).- Allocution de Jeanne Sauvé lors du congrès annuel de l'association canadienne de la télévision par câble, Toronto, le 2 juin 1976.
- (2).- Une enquête menée par les producteurs du Québec que Radio-Canada a consacré 72 heures au cinéma canadien sur une programmation de 5,000 heures.
- (3).- "The minister's statement has a national significance well/beyond pay television. It should be considered, as the Minister announced before, as the beginnings of a national policy of "cultural security" for Canada."
- (4).- Hugh Faulkner à la conférence nationale de la ligue Canadienne de radio-diffusion, Halifax, le 10 août 1976.
- (5).- Mémoire adressé au CRTC concernant la télévision à péage, Juin 1975, mémoire que l'A.R.F.Q. a refusé d'endosser.
- (6).- M.N.A. Taylor est président de Twinex Century Theatres Corporation Limited et directeur de la Motion Picture Theatre Association of Canada.

2.- Recommandation

Ainsi donc l'Association des Réalisateurs de films du Québec ne fait au CRTC qu'une seule et unique recommandation, à savoir que l'avènement de la télévision à péage soit retardé jusqu'à ce qu'un remaniement global de la cinématographie soit effectif au Canada et que nous prenions intensément part à ce remaniement.

3.- Suggestions

Nous souhaiterions toutefois, et de la façon la plus vive, que dans le débat le CRTC cherche à définir une fois pour toute ce qu'est une industrie culturelle.

La plus haute confusion existe en effet dans l'interprétation de ce terme et des réalités contradictoires qu'il détermine.

Grosso modo ces réalités sont, la première, celle de l'économie du commerce, l'autre, celle de l'économie de la culture.

L'économie du commerce est essentiellement basée sur la rentabilité commerciale à court terme, de l'investissement-profit-immédiat et fait fi des valeurs socio-culturelles d'une société et des individus qui la composent. (Elle abat les forêts sans replanter les arbres.)

Au contraire, l'économie de la culture crée des liens nécessaires entre les racines socio-culturelles d'une société et la création-production de ses représentations multiples en films, livres, émissions de télévision, oeuvres d'art, ainsi de suite.

Elle n'en est pas moins "industrielle", pour autant; elle ne peut toutefois vraiment le devenir, en respectant ses objectifs, qu'à moyen et long terme, et en faisant de la rentabilité commerciale immédiate qui enraie fatalement toute création, ou toute possibilité de renouvellement de la création. (Elle replante les arbres elle aménage le territoire humain et social, crée des services.)

Nous aimerions, en dernier lieu, suggérer au CRTC qu'il profite du dossier de la télévision à péage pour ouvrir celui des droits d'auteurs. Les créateurs, dans le domaine du cinéma au Canada n'en ont strictement aucun.

4.- Annexe

CANADIAN FILM DEVELOPMENT CORPORATION
SOCIÉTÉ DE DÉVELOPPEMENT DE L'INDUSTRIE
CINÉMATOGRAPHIQUE CANADIENNE

Montréal, le 9 août 1976

Monsieur Jean Pierre Lefebvre
Vice-président de l'Association des
réalisateurs de films du Québec
3466, rue St-Denis
Montréal, QUEBEC

Mon cher Jean Pierre,

Je te remercie de ta lettre du 2 août 1976 avec laquelle tu m'as fait parvenir copies des lettres que l'Association des réalisateurs de films du Québec envoyait à l'Honorable Jeanne Sauvé, ministre des Communications, et à M. Harry Boyle, président du Conseil de la radio-télévision canadienne, concernant la télévision à péage.

Les commentaires de l'ARFQ seront pris en considération par la Société de développement de l'industrie cinématographique canadienne et nul doute que cette importante question fera l'objet de discussions à la prochaine réunion de l'Atelier statutaire du Comité consultatif de la SDICC.

J'espère que nous poursuivrons un dialogue fructueux avec l'ARFQ et les autres membres de l'industrie cinématographique canadienne en vue d'informer adéquatement le ministre des Communications et le président du Conseil de la radio-télévision canadienne des besoins et des désirs du milieu cinématographique en regard de la mise sur pied d'un service de télévision payante au Canada.

Accepte, mon cher Jean Pierre, l'expression de mes bons sentiments.

L'administrateur des projets français,


Carole Langlois

copie à l'Honorable Jeanne Sauvé
Ministre des communications

M. Harry Boyle
Président du Conseil de la radio-télévision canadienne

M. Guy Dufaux
Président de l'Association des réalisateurs de films du Québec

M. Claude Lacombe
Président de l'Atelier statutaire du Comité consultatif de la SDICC

ASSOCIATION DES RÉALISATEURS DE FILMS DU QUÉBEC
3466 St-Denis, Montréal, Qué. 844-2457

2 Aout 1976

REÇU

Société de développement
de l'industrie cinématographique
Canadienne.
800 Place Victoria
a/s Mlle Carole Langlois

- 6 OCT 1976

Bonjour Carole!

Pour faire suite aux discussions sur la télévision à péage, après de longues consultations auprès de mon exécutif, je t'informe que l'A.R.F.Q. ne peut et ne veut endosser le mémoire que la S.D.I.C.C. a adressé au C.R.T.C. au mois de juin 1975.

Le dossier nous semble d'une importance trop capitale pour que nous puissions prendre clairement position dans le débat avant d'avoir fait une étude approfondie avec l'aide d'experts en la matière. Car pour le moment, si on parle de "production" d'investissements et d'industrie, rien ne nous permet de croire que le cinéma québécois pourra garder - ou revenir à - son identité et originalité propres tant et aussi longtemps que les structures de la S.D.I.C.C. n'auront pas été modifiées de même que celle de la distribution; tant et aussi longtemps que c'est une idéologie de production et de rentabilité qui, de façon exclusive, déterminera la fabrication de ce que la S.D.I.C.C. appelle dans son mémoire des "Films Canadiens d'une qualité supérieure". Nous serions d'ailleurs fort intéressés de connaître le sens précis du terme "qualité supérieure", car nous soupçonnons, en lisant le mémoire, qu'il ne concerne rien d'autre que la conformité de fond et de forme avec les "produits étrangers" dans le but d'assurer une concurrence et une rentabilité essentiellement économiques.

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La phrase suivante, en page 6, le confirme de façon alarmante:
"Un film de qualité pouvant être présenté sur le marché international coûte au moins \$600,000. dollars et nous pensons que tous les films produits pour la télévision à péage devraient pouvoir être vendus à l'étranger."

Nous pensons donc avec Madame Jeanne Sauvé, que "rien ne sert de nous presser si, par la suite, nous laissons la télévision à péage se développer chez nous à la manière de l'industrie cinématographique" (allocution du 2 juin 1976). Et en l'occurrence nous nous opposerons vivement à la demande des propriétaires de salles d'investir dans la télévision à péage sous prétexte que les salles en seront affectées, d'une part parce que des enquêtes aux USA ont prouvé qu'il n'en est rien, qu'au contraire cela les a revitalisées; d'autre part parce que ce serait redonner à nouveau et aux mêmes intérêts financiers majoritairement américains, les mêmes pouvoirs de contrôle et de chantage qu'en matière de cinéma. Or Madame Sauvé précise clairement: "Il faut empêcher que cette situation ne se répète dans le domaine de la télévision à péage."

Nous ferons donc les démarches nécessaires auprès du Ministre des communications à Ottawa, de même qu'auprès du C.R.T.C. pour demander que l'A.R.F.Q. puisse être entendue au delà du premier septembre 1976, date mentionnée dans l'allocution de Madame Sauvé pour l'envoi de mémoires au C.R.T.C.

Avec l'assurance de mes sentiments les plus respectueux.

/cf

cc: Claude Lacombe
Président du Comité Consultatif
de la S.D.I.C.C.

Madame Jeanne Sauvé
Ministre des Communications à
Ottawa.

Au C.R.T.C.

Jean-Pierre Lefevre
Vice-Président de l'Association
des Réalisateurs de films du
Quebec.

ASSOCIATION DES REALISATEURS DE FILMS DU QUEBEC
3466 St-Denis, Montréal, Qué. 844-2457

2 Aout 1976

REÇU CL.

- 6 AOUT 1976

Madame Jeanne Sauv 
Ministre des communications
Chambre des communes
Ottawa.

R : T l vision   p age

Madame Sauv ,

Ce n'est qu'au mois de juin dernier, au hasard d'une r union du comit  consultatif de la S.D.I.C.C., que l'Association des R alisateurs de films du Qu bec a pour la premi re fois entendu parler de la t l vision   p age. Nous avons, depuis, longuement m dit  votre allocution du 2 juin 1976, puis  tudi  le m moire sommaire que la S.D.I.C.C. avait d pos  au C.R.T.C. en juin 1975. Dit entre parenth ses, aucun des sept secteurs de l'industrie cin matographique qu b coise ne connaissait ce m moire qui pourtant nous concerne tous directement.

Ainsi que vous pourrez le lire dans une copie de la lettre adress e   Madame Carole Langlois, l'A.R.F.Q. refuse d'endosser le m moire de la S.D.I.C.C. Mais, point crucial encore, - et c'est la raison pour laquelle nous nous adressons   vous -, il nous semblerait injuste que nous ne puissions prendre le temps n cessaire et faire les consultations ad quates dans le but de pr senter un m moire substantiel au C.R.T.C.

La bri vet  du d lai, les vacances de tous et de chacun nous emp chent en effet de compl ter notre dossier avant le premier septembre. Nous pourrions toutefois  tre pr ts vers la fin du mois d'octobre.

En tant que créateurs et pionniers d'un cinéma qui s'est imposé d'abord et avant tout par la force et le travail de ses artisans, nous avons vécu suffisamment de frustrations et de déceptions depuis la mise en place de certains mécanismes gouvernementaux dont les politiques (ou l'absence de politiques adéquates) ont fait profiter des intérêts majoritairement étrangers, pour ne pas pécher par excès de prudence, sinon de méfiance. Mais en même temps nous croyons avoir acquis depuis quatorze ans une expérience qui peut devenir précieuse si la volonté de notre gouvernement est bien celle que vous avez exprimée dans l'allocution du 2 juin 1976.

Nous sommes donc disposés, Madame, à vous offrir notre collaboration la plus totale.

/cf

cc: Carole Langlois
S.D.I.C.C.
Monsieur Boyle
Président au C.R.T.C.

Claudine Faugère Sec.
Pour:

Jean-Pierre Lefevre
Vice-Président de l'A.R.F.Q.
et membre délégué au comité
consultatif de la S.D.I.C.C.

P.S. Ci-Joint, copie de la lettre que nous avons fait parvenir à Mlle Carole Langlois de la S.D.I.C.C., et de la lettre envoyée au C.R.T.C.

ASSOCIATION DES RÉALISATEURS DE FILMS DU QUÉBEC
3466 St-Denis, Montréal, Qué. 844-2457

2 Aout 1976

REÇU CL.

- 9 AOUT 1976

Monsieur Boyle
Président du Conseil de la
Radio-Télévision Canadienne
100 rue Metcalfe
Ottawa, Ontario

Monsieur le Président,

En référence avec le dossier concernant LA TELEVISION à PEAGE, l'exécutif de l'association des Réalisateur de Films du Quebec, vous fait part de la demande suivante:

- Etant donné l'importance de la télévision à péage pour l'avenir du cinéma Québécois et Canadien, pour l'avenir des réalisateurs de films, pour l'implication, les conséquences et l'impact culturel que provoquera son apparition sur le territoire Canadien.
- Etant donné que l'A.R.F.Q. n'a été mise au courant de ce dossier qu'au cours du mois de juin de cette année et, de plus, tout à fait par hasard.
- Etant donné que nous trouvons qu'il est indispensable que les réalisateurs de films puissent manifester leur position face à la télévision à péage dans un mémoire.
- Etant donné que pour rédiger un mémoire il nous apparaît essentiel de rencontrer des spécialistes en ce domaine pour en étudier tous les aspects, et d'autre part de consulter le plus grand nombre possible de réalisateurs.

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- Etant donné que pendant l'été il nous est absolument impossible de compléter les démarches nécessaires à la rédaction de ce mémoire.

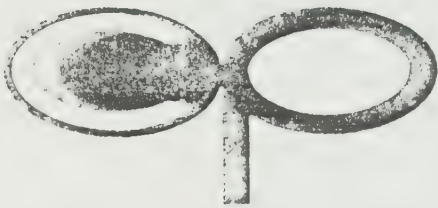
Nous vous demandons en conséquence, de nous accorder un délai pour le dépôt d'un mémoire jusqu'à la première semaine du mois de novembre de cette année.

Dans l'espoir que vous accéderez à notre demande, je vous prie, Monsieur le Président, de croire en mes sentiments les meilleurs.

Claudine Tanguay - Sec.
Pour :

/cf
cc: Madame Jeanne Sauvé
Ministre des Communications
Carole Langlois
S.D.I.C.C.

Le Président de l'A.R.F.Q.
Guy Dufaux



cineo productions

*Chairman
972-2
Pay (TV)*

September 30, 1976

Received - Recu
Executive Assistant's Office
Bureau du Chef de Cabinet

OCT 4 1976

Mr. Harry J. Boyle
Chairman,
Canadian Radio and
Television Commission
Ottawa, Ontario

COMMENT
COMMENTAIRE

80

C. R. T. C. - OCT 1976

Re: SUBMISSION OF PAPERS ON PAY -TV

Dear Sir:

Please find enclosed a copy of my letter to the Hon. Jeanne Sauve, Minister of Communications, detailing our position with regard to bringing Pay-TV into Canada.

Please consider this enclosed document to be our submission to the Commission on the matter of Pay-TV; should you decide to call for public hearings to air the issues presented to the CRTC, please inform me of the time and place of these hearings so that we can make immediate arrangements to attend what I consider to be vital public meetings.

Thanking you for your consideration;

All the best,

Robert C. Diez d'Aux

RDdA/jm
(Encl.)

1646 Victoria Park Ave., Toronto, Ontario, Canada, M1R-1P7 (416) 757-7877





cineo productions

September 27, 1976

The Hon. Jeanne Sauvé
Minister of Communications
Parliament Hill
Ottawa

Re: PAY-TV

Dear Madam:

Pay-TV is about to arrive too suddenly, too fast. Knowing the major role which electronic media have in our cultural life, how can one, anyone, exercise a balanced judgement when dealing with a new, untested medium of enormous complexity, after only twelve weeks of intermittent consideration? It appears that we may face once more a major error in cultural policy-making which will be haunting us over the years to come. It appears that Pay-TV is being steam-rollered into this country on a trail of misconception, preconception and high-pressure lobby by cablecasters.

The principal rationale behind the introduction of Pay-TV is the development of domestic production, as you have often said. I hereby volunteer our expertise as program producers, in analyzing some of those glorious seven-digit figures which are so often being tossed around. It has been said that if Pay-TV had a 15% penetration of the cable market, and if 15% of its gross revenues were directed into Canadian production, about \$6 million annually would be spent on domestic programming. It must be remembered that a Pay-TV outfit would, in effect, operate like a TV network, and will have to incur a fair amount of administrative, technical, maintenance and hardware replacement expenses, and thus the gross potential income is not to be confused with moneys spent on purchasing programmes. Let us assume that this hypothetical Pay-TV network will spend an extremely generous 60 % of its gross revenue on programming, namely about \$24 million. This means that one quarter of the total programming budget of this outfit would be spent on domestic product, which would have to fill about one quarter of the total program-time.

(.....2)

1646 Victoria Park Ave., Toronto, Ontario, Canada, M1R-1P7 (416) 757- 7877

(cont'd)

Please compare this amount to \$31.7 million spent by the CBC on Canadian talent alone, and as far back as 1973; that figure does not include under-the-line production costs or studio overhead.

Let us also remember, at this point, that Pay-TV must purchase prime-rate, expensive programming in order to be feasible, and that it must keep competitive with the TV networks who will ward off the draining of prime-time quality programming to Pay-TV at virtually any cost. This spells a very expensive shopping list for the Pay-TV programmer, who will have to either outbid the network, or buy better, first-run programmes. At this point, he has a couple of alternatives. He may opt to stay on the air only 4 hours a night, which will considerably reduce subscriber interest, and thus revenues. He may, on the other hand, decide to spend three-quarters of his budget on prime-time programmes, while the \$6 million devoted to Canadian programmes will have to buy sufficient good quality material to fill the other 75% of his program-time. Thus, Canadian producers will have to go through deficit-financing, which is economically unfeasible in the domestic market. Keeping in mind that Canadian programmes are comparably more expensive than Hollywood shows due to the restricted market we deal with, \$6 million will be sufficient to finance (with large deficits) a handful of second-rate domestic programmes.

I strongly suspect that Pay-TV presently seeks to establish itself at any cost, in any form, relying on the doctrine that an ongoing outfit of major proportions would never be disbanded or ordered to cease operations. I submit that the real problems of Pay-TV, which I am outlining herein, will be heard about only after the fact, unless Pay-TV is held back or stopped now. Cable Pay-TV operators would start shortly to lament about the low quality and high price of Canadian programmes, and, Pay-TV shall become a wide-open channel for the importation of American commercial products; the Canadian content of their programmes would be largely composed of "in-house" produced cheapies (as we see on cable now). To summarize, Canadian producers would benefit little, if anything, from the introduction of Pay-TV to this country. On the contrary, Pay-TV may yet prove to develop into a highly negative part of Canadian broadcasting, by draining away funds and programming from established broadcasters.

(.....3)

(cont'd)

One of the puzzling aspects of the Pay-TV debate is the matter-of-fact manner in which cable television is considered to be the predetermined assignee of Pay-TV 'fortunes'; little, if any, consideration has been given to alternative forms of Pay-TV. Cable has a limited rate of penetration taking into account the overall number of receivers in use, and its penetration of rural, remote or Northern territories is negligible. Thus Pay-TV would be available only on a limited scale, thus at a higher cost, and to those who can afford it; this smacks of socio-economic segregation and reflects a medieval attitude toward culture. Also, the distribution of Pay-TV via cable would make the public dependant on a fragmented, monopolistic and inconsistent cable industry. Why should a potential Pay-TV subscriber be obligated to also buy at additional cost, the services of the cable company who happens to deliver this service?

There are alternative Pay-TV systems, only the will to look at them is lacking, so far at least. I shall outline one such alternative in order to be constructive.

The established broadcasters in this country (CBC, CTV, Global etc.) are well equipped to handle matters of programming, broadcasting and administering a network. They also own a wealth of hardware which assures virtual complete territorial coverage for this country. It would, therefore, make more sense to empower a consortium of these on-the-air broadcasters to develop a "Third Network" type of Pay-TV, should they chose to do so. Their market penetration is potentially much wider than that of cable-TV, therefore potential revenues could be high enough to ensure a return on quality, domestically-produced, programs. Such 'network' should be forced by charter (and so should be the CBC, by the way) to purchase all the programming from independent producers, (with the exception of newscasts) and to show a fair proportion of Canadian programs in both prime-time and during other viewing hours.

Due to a potentially nation-wide market, the rates of this proposed network could be considerably lower than the ones proposed by cablecasters (\$8.-/month plus cable TV charges), thus being affordable for virtually everyone; this, in turn would also expand the potential penetration of this said network.

(.....4)

(cont'd)

The Pay-TV outfit which I propose, need one exist, would broadcast on one ore more VHF or UHF FM frequencies a scrambled signal which would be made usable via a simple decoder hooked into the home receiver. Revenues could be collected either through the lease of such decoders (in the manner in which telephone companies lease their hardware) or through the sale of the said decoders and an independent billing system. If the use of Pay-TV becomes very wide-spread on the national level, collection of dues could be administered through the Post Office or via income tax debits collected by District Taxation Offices and passed on to the Pay-TV Network less an administration charge.

Such type of network would also enable producers to rent airtime for their shows , should they wish to explore demand for their product at their own expense; this has been proven to be a worthwhile practice in experiments conducted in the USA, where sattellite-relayed Pay-TV Networks have been successfully tried out.

In conclusion to this submission, we urge an immediate freeze on any attempted licensing proceedings for Pay-TV applicants. Such a freeze should stay in effect 2 or 3 years, enabling detailed inquiries and studies to be commissioned and completed. This should be accomplished through the office of the Secretary of State, who is responsible for, and competent to handle, policies affecting the cultural development of our country; there is no reason whatsoever for the Ministry of Communications, or the CRTC to involve themselves so directly in cultural policy involving Pay-TV, other than recommend and enforce technical standards for broadcasting. Also more extensive and lengthy public hearings are necessary before a policy is drawn up.

Thanking you for your consideration and looking forward to hearing from you;

Sincerely,


Robert C. Diez d'Aux

RDdA/jm

cc:John Roberts, Harry Boyle, PET, Al Johnston, media

UTILITIES AND TELEPHONES



Office of
the Minister

COMMENT
COMMENTAIRE

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403/427 001

403 Legislative Building
Edmonton, Alberta, Canada

T5K 2B5

Received - Recu
Executive Assistant's Office
Bureau du Chef de Cabinet

September 28, 1976

UCT 1976

Hon. Jeanne Sauvé
Minister of Communications
Parliament Buildings
Ottawa, Canada

C. R. T. C. -- Ottawa

Dear Mme. Sauvé:

I am replying further concerning Alberta views and analysis regarding Pay TV. I certainly appreciate the potential importance of Pay TV and the careful consideration which is essential.

In my acknowledgement reply to you dated August 13, I made the preliminary observation that "many aspects of Pay TV and other non-broadcasting cable services appear to fall within the legislative concerns of the province." Our further analysis and review confirms the observation that Pay TV is a matter of provincial jurisdiction. I am very concerned that the Federal Government has appeared to assume Pay TV jurisdiction and is inviting provincial input only on administrative and regulatory procedures. Alberta does not accept this approach and concludes that Pay TV is within provincial jurisdiction parameters.

I wish to elaborate and reiterate briefly the position Alberta has taken regarding telecommunications at earlier federal-provincial meetings of Ministers responsible for Communications. The following also explains partially how this province has exercised its authority in this field from the beginning. The Government of Alberta has controlled and fostered the growth of telecommunications in this province, primarily through Alberta Government Telephones and a number of other large and small telephone companies, in accordance with provincial authority over local undertakings. These undertakings provide a wide and growing range of telecommunications services both audio and video on a province-wide or smaller area basis. Specifically, we view the introduction of a closed-circuit Pay TV service by CATV licensees or others as a local telecommunications service; this refers to both the facilities used and the content of the service.

I wish to summarize the present Alberta Pay TV position as follows:

- (i) Pay TV is a matter of provincial rather than federal jurisdiction.
- (ii) It is essential that Pay TV be a priority agenda item at the November meeting of Communications Ministers in Edmonton.
- (iii) In areas where the same telecommunications facility carries both Provincially and Federally-regulated services, we recognize the need for practical arrangements for coordination.
- (iv) Administrative and regulatory procedures are premature and should follow rather than precede resolution of more basic factors such as Pay TV jurisdiction.

The important matter of Pay TV will continue to receive priority attention by Alberta. I am looking forward to a full and useful discussion of the subject at our November meeting. Noting your suggestions that Pay TV views and comments should also be put to the CRTC, I am doing so by a copy of this letter to the Chairman.

Yours very truly,



Dr. Allan A. Warrack
MINISTER

cc: Hon. L. D. Hyndman, Minister
Federal and Intergovernmental Affairs

Mr. Harry Boyle -----
Chairman, CRTC

COMMENT
COMMENTAIRE

82

*sent
10/2/76
10/2/76*

Cablecasting Limited

45 charles street east
toronto 5, ontario
phone: (416) 964-6411

September 29 1976

Received by - 10/1/76 per
SECRETARIAT

OUT. 5 10/1/76

S.R.T.C.

The Secretariat
The CRTC
100 Metcalfe Street
Ottawa, Ontario

Dear Sirs,

We have the honour of presenting a submission
to the CRTC on Pay Television. If you have any
questions about any of this material, we would
be most pleased to answer.

Yours truly

Michel Guité

J.C. Michel Guité

PAY TV, COMMERCIAL SUBSTITUTION AND
CANADIAN PROGRAM PRODUCTION

Submission to the Canadian Radio-Television
and Telecommunications Commission
Pay TV Policy Hearings

October 1 1976

by
Cablecasting Limited
45 Charles Street E.
Toronto, Ontario

and
Michel Guité
Institute for Communication Research
Stanford University
Stanford, Cal.

The purpose of this brief is to argue that CRTC resolution of current Pay TV policy issues in Canada should be tied to resolution of current disputes over CATV substitution of U.S. commercials with Canadian content on imported U.S. TV channels.

Over the next several years Pay TV will probably make a relatively modest contribution to the Canadian programme production industry. Although the content, method of delivery and ownership of Pay TV in Canada are still unknown, by 1981 Pay TV could funnel an estimated \$9-16 million a year into Canadian programming.

By 1981 CATV commercial substitution or ad repatriation could funnel from \$25-60 million a year into Canadian programming without fragmentation of existing TV audiences. Widespread implementation of this policy likely requires Canada-US copyright negotiation and may require CATV payment of copyright fees.

Pay TV contribution to Canadian programming: A shot in the arm for Canadian programming is only one of the arguments favouring CRTC licensing of Pay TV in Canada in the near term.

Another argument is that current Pay TV proposals are a necessary interim step in the development of a nationally available electronic CATV delivery system for on-demand information and entertainment. A third argument is that without CRTC licensing, closed circuit coaxial Pay TV systems may proliferate outside of federal jurisdiction and without any requirement that they become an integrated part of a Canadian broadcasting system.

Our purpose here is not to argue against Pay TV, or to argue in favour of per-channel or per-programme pay service, via CATV or over-the-air. Uncertainties in Pay TV technology, demand, and content, favour experimentation with different models.

What we are concerned about here is a realistic assessment of the most dollars Pay TV will add to the Canadian programme production industry. Although Pay TV may be delivered over-the-air as well as via cable, a recent analysis of U.S. data by Ray Panko of the Stanford Research Institute projected substantially higher Pay TV revenues and penetration rates for Pay TV via cable for at least the next decade. (1)

(1) For publicly available data from the confidential Stanford Research Institute analysis, see Raymond Panko, Pay Television & Free Television: A Policy Assessment based upon a Projection of Future Consumer Demand for Pay Television, Ph.D. dissertation, Stanford University, 1975.

The reasons for this higher penetration with cable were the relatively high cost of subscriber descramblers needed for over-the-air Pay TV, plus the limited number of over-the-air TV channels. Because we are projecting upper limit Pay TV contributions to Canadian programming, we base our projections on Pay TV delivered via cable.

Pay TV via cable may provide a monthly package of programmes for a flat fee of some \$7-9 or else a per-programme service where subscribers pay some \$2-3 each month for a record-keeping and descrambling device, and also pay for each programme they view. Revenue projections for the latter service are somewhat complex, because subscriber monthly spending varies widely. According to Panko's U.S. data, with per-programme Pay TV the highest spending 23 percent of subscribers account for 46 percent of total revenues, the highest spending 48 percent account for 74 percent of revenues, and average spending per subscriber for programming alone is some \$7 per month per household. (2) For our projections, we will assume an average Pay TV subscriber revenue of \$8/month, without differentiating between per-channel or per-programme service.

(2) Panko, *ibid.*

Continuation of current population and household growth in Canada leads to an estimated 7.4 million Canadian households by year-end 1981. If an estimated 60 percent of all of these 1981 households signed up for CATV, we would have 4.44 million cable subscribers. If 15 percent of 1981 cable subscribers signed up for Pay TV, the total Pay TV revenue base for Francophone and Anglophone markets would be made up of 666,000 subscribers. The less likely upper limit of 25 per cent Pay TV penetration would provide 1.11 million Pay TV subscribers. If each Pay TV household paid \$8.00 per month for the service, total 1981 Pay TV revenues at 15 percent penetration would be \$63.4 million. At the less likely 25 percent penetration total 1981 revenues would be \$106.6 million.

How much Pay TV gross revenues would be funnelled into Canadian programming? A 1975 CRTC policy paper on Pay TV proposed a Canadian spending requirement of 15 percent. (3) Using our above revenue estimates with 15 percent Pay TV penetration of cable households in 1981, this could generate \$9.51 million for Canadian programming. Using the less likely 25 percent Pay TV penetration this could generate \$16 million for Canadian programmes.

(3) CRTC Position Paper: Pay Television Service, Ottawa, March 1975.

When considering these projections of \$9-16 million for Canadian programming, it should be clear that both these figures are optimistic because they assume a smooth and successful development of what is essentially a speculative broadcast service. Current assumptions about Pay TV in Canada are based on the recent successful U.S. experience. However, Pay TV penetration rates of 15 and 25 percent of cable subscribers in the U.S. may not be exportable to Canada, because cable penetration itself in the U.S. is lower than in Canada and U.S. cable subscribers generally have more disposable income than Canadian subscribers. The first Pay TV experiment in Canada began in the Toronto suburb of Etobicoke in 1960 and ended five years later with a \$2 million loss. The first Pay TV experiment in England, begun in 1963 in London and Sheffield, ended in 1971 with a \$2.4 million loss. The first three Pay TV experiments in the U.S., begun in 1962 and 1963 in Hartford, Los Angeles and San Francisco each shut down several years later with multi-million dollar losses.

Ad repatriation & Canadian Programming: The CRTC proposal that Canadian cable operators delete U.S. advertisements on imported U.S. TV channels carried by CATV and replace these with Canadian content dates back to 1971. Because of costs, legal uncertainties, inability to develop adequate contracts between CATV operators and local broadcasters, and questions about the propriety of what many observers see as piracy, this policy has not been widely implemented.

Although a 1975 Canadian Federal Court of Appeal ruling supporting the CRTC's right to enact this policy may well be upheld on current appeal to the Canadian Supreme Court, some other objections to this policy still remain. In the following paragraphs, we will estimate potential revenue that could be developed in 1981 from the sale of Canadian advertising in the place of U.S. ads on imported U.S. channels carried on CATV in Canada. We will then discuss possible disruption of current advertising spending patterns in Canada, CATV copyright payments, and a method for funneling this advertising revenue directly into Canadian program production.

For the following estimates we will consider commercial substitution or ad repatriation under two conditions. A first condition assumes that only CATV systems with over 25,000 subscribers are required to substitute commercials. Under the second condition we assume that satellite delivery of TV signals to CATV head-ends is available, and that commercial substitution is incorporated into the satellite transmissions. In both cases we assume that three commercial U.S. channels and an average of four Canadian TV channels are available in each receiving community by 1981, that total TV viewing hours per household average only 4.2 hours per day, and that advertisers in 1981 pay 3.2 cents per household viewing hour. (4)

(4) These are conservative assumptions. Current household TV viewing in Canada is estimated by A.C. Nielson at 5.9 hours/day in 1976. This figure describes hours a TV set is on each day. The estimate of 4.2 viewing hours per day describes time spent by adults over 18 years old in each house watching television. The figure of 3.2 cents/viewing hour assumes a maximum of 8 minutes of advertising per hour in 1981, with 1.8 adults per household, and a conservative cost per thousand adults reached averaging only \$2.22.

Finally, using a model developed by Robert Babe of Simon Fraser University, we assume that with three U.S. and four Canadian TV channels in each community, the U.S. channels will attract 47 percent of all TV viewing time. (5)

For the first case we assume ad repatriation is restricted to a 1981 estimate of 51 CATV systems with 25,000 or more subscribers. Using projections similar to those we developed for Pay TV, we estimate that these major markets will account for 47 per cent of a projected 4.4 million 1981 CATV subscribers, and will serve 2.1 million households. With each household viewing 4.2 hours of TV each day, with three U.S. channels attracting 47 percent of these hours and with advertisers paying 3.2 cents per household viewing hour, total advertising revenues are \$48.4 million. Because many of the major CATV systems are concentrated in Southern Ontario, and in the major markets of Montreal, Vancouver, Calgary, etc., and already do or are likely to share common microwave facilities, the degree of cost sharing for commercial deletion is difficult to estimate. If we assume an upper limit cost of \$150,000 per year per CATV system for all expenses related to commercial deletion, these expenses total \$7.6 million, leaving \$40.8 million available for other purposes.

(5) Robert Babe, An Economic Analysis of the Impact of Cable Television on Television Broadcasting Stations, Carleton University, Ottawa, 1972.

What happens if we assume satellite delivery of the same three U.S. TV channels to all CATV head-ends in Canada, except for those that by 1981 will remain locked into existing microwave contracts? If we assume 4.4 million Canadian CATV subscribers by 1981, and we assume that only 70 percent of these participate in satellite reception of three U.S. channels, that average viewing remains at 4.2 hours per day, that U.S. channels capture 47 percent of those hours, and that advertisers in 1981 will pay 3.2 cents per household viewing hour, then total advertising revenue totals \$71 million.

A recent analysis of the usefulness of Telesat Canada's current and proposed satellite designs for distribution of TV signals to CATV head-ends concluded that Canadian satellite delivery is not currently a practical alternative to terrestrial microwave. (6)

The analysis argued that Telesat charges per transponder capable of transmitting one broadcast quality television channel are more than double the equivalent charges on U.S. spacecraft, and argued that Telesat's use of low-powered satellites with high cost earth stations has been more effective in protecting revenues of common carriers' microwave plant than in meeting needs of the Canadian broadcasting system.

(6) Michel Guité: CATV & Telecommunications Policy in Canada, Programme on Information Science & Telecommunications Policy, Stanford University, forthcoming 1976.

The same recent analysis proposed an alternative configuration for a next generation Telesat satellite that would incorporate 10 watt transponders, using the 4/6 GHz frequency, with each transponder transmitting over a footprint covering half of Canada, to earth stations with a total installed cost of \$26,000 each. The analysis argued that Detroit TV channels could be picked up in Windsor, Ontario, carried by microwave to a commercial substitution and video recording and delay centre, and then to Telesat's uplink station at Allan Park near Toronto, and that U.S. channels could be distributed in only two timeblocks. Total distribution costs, excluding the local earth stations for two channels, were estimated to be \$6.3 million a year, and for three channels less than \$9.5 million a year.

The projection of 1981 advertising from commercial substitution on three satellite-distributed U.S. TV channels, estimated above at \$71 million, less satellite distribution costs of some \$9.5 million, leaves a net of \$61.5 million available for other purposes. Nevertheless, Telesat's current plans and pricing policies do not make this distribution method a likely development.

It could be argued that since advertising expenditures in Canada since 1968 has remained at approximately 1.2 percent of Gross National Product, with TV advertising accounting for approximately one-eighth of this total, availability of additional TV channels could cause a substantial drop in the amount advertisers are willing

to pay per minute or per thousand viewers. The outcome could reduce the revenues of TV broadcasters, as well as newspapers, magazines, and other media.

However this is misleading because it leaves out two important developments. Recent parliamentary enactment of a tax provision prohibiting Canadians from using advertising expenditures on U.S. border TV stations for tax exemptions will likely increase Canadian dollars available for Canadian advertising. In 1974 Canadian advertisers spent an estimated \$20-25 million on U.S. border TV stations broadcasting into Canadian markets. (7) Furthermore, commercial substitution would deprive Canadian subsidiaries of U.S. corporations of the benefit of spillover advertising worth another \$30 million a year.

Because the impact of opening three new TV channels for Canadian advertising is unknown, this new medium could be developed gradually, over a five year period. Even if we make the conservative assumption that advertising on these channels was to be limited to an upper ceiling of no more than half the projected growth of TV advertising revenues each year from 1977 to 1981, the upper ceiling for these three channels by 1981 would total \$67.2 million. (8)

(7) Harry Boyle: Survival, Address to the Men's Canadian Club of London, Ontario, December 1975, P.4

(8) Based on total 1973 TV advertising revenues of \$198.5 million increasing 10%/year to 1977, i.e. to \$290.6 million, and at the same rate to 1981, i.e. to \$425 million. Half the increase from \$290.6 to \$425 million is \$67.2 million.

If we consider only the 14 major Canadian broadcasting markets that correspond roughly to the 51 largest CATV operations, and if we use the same ceiling of half the projected growth of TV advertising revenue on existing channels in these markets, this upper limit would be approximately \$37.2 million. (9)

A second policy question regarding this commercial substitution concerns the payment of CATV copyright fees. Although Canadian cable operators currently can delete U.S. commercials on imported channels without legal liability, this will likely lead to ultimate revision of copyright agreements effecting both Canada and the U.S. In February 1976 the U.S. Senate passed S-22, a copyright legislation bill. In September 1976 the U.S. House of Representatives passed HR 2223, its version of a similar bill. This legislation, now being prepared for enactment, calls for U.S. cable operators to pay up to 2.5 percent of gross revenues to broadcasters for the right to use broadcasters' programmes.

In Canada CATV copyright payments set at similar levels of up to 2.5 percent of gross revenues could provide a mechanism to compensate U.S. programme producers for the use of their programmes. One of several complications with this in Canada is that because Canadian broadcasters commonly purchase exclusive Canadian rights to certain U.S. programmes, they argue that if anyone collects copyright payments it should be them.

(9) 1973 ad revenues for 14 broadcasters with over \$3,000,000 annual revenues each, totalled \$110.3 million. By 1977 at 10% annual growth this total is estimated at \$161.5 and by 1981 \$236 million. (Statistics Canada Catalogue 56-204)

However, this may not be as important as it looks. If Canadian broadcasters were to collect Canadian CATV copyright payments for U.S. programmes they hold rights to, broadcaster competition and prices paid for these programmes would increase. The outcome would be similar whether CATV copyright payments for U.S. programmes were paid to a Canadian copyright fund and then to the U.S. copyright holder, or paid to a Canadian broadcaster who then paid higher prices to the U.S. owner.

By 1981, with estimated Canadian CATV gross revenues of some \$260 million, CATV copyright fees of up to 2.5 percent would generate \$6.5 million. Assuming these were divided between U.S. and Canadian TV programme owners or producers according to respective audiences, Canadians might retain as much as \$3.5 million. However, the significance of these payments would not be so much that they would provide a substantial increment to Canadian funds for programming. More important, they could open the door to a Canada-US agreement permitting cable operators in each country to delete commercials on the TV channels imported from across each border, with the decision of what to then do with the commercial time slots subject to domestic regulation in each country.

A third policy question concerns who in Canada should be entitled to sell commercial time on the U.S. channels carried via cable and who should get the revenues.

If broadcasters are permitted to sell the time themselves, and to insert their own ads, they have reduced motivation to upgrade their own programming to compete with the imported channels. A preferable solution appears to be for the CRTC to license regional commercial substitution centres with broadcasters, cable operators or third parties permitted to participate in ownership and control, and with the distribution of advertising revenues subject to CRTC approved formulae. One such formula would require that some 85 percent of advertising revenue be paid out to Canadian TV broadcasters, pro-rated according to their audiences for Canadian programmes.

Integration of Pay TV and Commercial Substitution Policies:

We have argued that while Pay TV may generate significant revenues of some \$9-16 million for Canadian programme production by 1981, ad repatriation or commercial substitution could generate substantially more funds for the same purpose. If this substitution were implemented on three U.S. TV channels, in an estimated 51 CATV systems with over 25,000 subscribers each, with advertising revenues limited to no more than half the projected TV advertising growth in the corresponding TV markets, by 1981 these US channels could generate approximately \$37 million. Assuming commercial substitution costs for the 51 major CATV systems total \$7.6 million, and that 85 percent of the net revenue is pro-rated among Canadian broadcasters according to audiences for Canadian programmes, the outcome would be \$24.9 million available to support stronger Canadian programming.

With somewhat less conservative assumptions, this net 1981 advertising revenue for three U.S. channels distributed via satellite to 70 percent of CATV subscribers could generate \$71 million. After satellite distribution expenses estimated to be approximately \$9.5 million a year, \$61.5 million would remain. If 85 percent of this amount were pro-rated among Canadian broadcasters according to their audiences for Canadian productions, the total contribution to Canadian programming would be \$52.3 million.

Both Pay TV and commercial substitution will require closer CATV-broadcaster co-operation. Both may require development of regional or national microwave or satellite facilities. Both must make significant contributions to the Canadian programming industry. For these reasons, it is critical to use the current interest in introducing Pay TV, as a vehicle to accelerate introduction of commercial deletion on CATV-imported U.S. TV channels.

Le 30 septembre 1976.

Mademoiselle Lise Ouimet
Adjointe au Secrétaire général
Conseil de la Radio-Télévision canadienne
100, rue Metcalfe
Ottawa, Canada
K1A 0N2

OCT 6 1976

COMMENT
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6.13.13

Chère mademoiselle Ouimet,

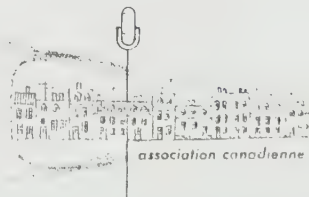
83

L'Association canadienne de la radio et de la télévision de langue française (ACRTF) profite de l'invitation du Conseil de la radiodiffusion et des télécommunications canadiennes pour lui exprimer son point de vue au sujet de la télévision à péage, thème principal d'une des prochaines audiences publiques du CRTC.

1. Nous croyons toujours que la venue d'un système de télévision à péage est prématurée pour les raisons qui furent exposées par le Conseil à la suite d'une première audience publique à ce sujet.

2. L'existence de la télévision à péage entraînera infailliblement une forte augmentation des prix des longs métrages d'expression française présentement disponibles aux télédiffuseurs de langue française. Il en découlera une augmentation des coûts d'opération des postes et des réseaux et/ou une diminution de la qualité de la programmation sur film et/ou une perte additionnelle d'auditeurs.

3. Il faut se rappeler qu'il existe présentement une pénurie de longs métrages d'expression française même avant l'existence d'un premier réseau privé de télévision dans toutes les régions du territoire, même avant la naissance d'un deuxième réseau privé.



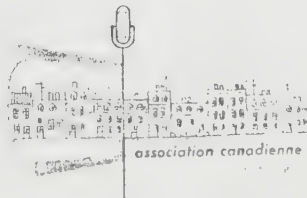
Mademoiselle Lise Ouimet (Suite)
Adjointe au Secrétaire général
CRTC

Le 30 septembre 1976.

Il nous semble désirable dans l'intérêt de l'auditoire francophone et de l'ensemble de l'industrie d'éviter d'accentuer cette rareté de longs métrages d'expression française, ce qui rendrait encore plus difficile l'exécution de projets majeurs déjà en cours et, à notre avis, qui représentent "plus et mieux" pour l'ensemble des auditeurs francophones.

4. L'A.C.R.T.F. considère que la fragmentation de l'auditoire que causerait la télévision à péage, si elle était introduite, au Québec en particulier, dans un proche avenir, s'additionnerait malencontreusement aux autres facteurs de fragmentation déjà amorcés ou annoncés. Qu'il suffise de mentionner les agents de subdivision de l'auditoire suivant:

- a) La prolifération des systèmes de télévision par câble dans les coins les plus reculés de la province.
- b) Le nombre croissant de systèmes de télévision par câble offrant plus de 12 canaux.
- c) Les progrès sensibles tant en quantité qu'en qualité de la télévision communautaire.
- d) L'apparition de longs circuits micro-onde pour distribuer un peu partout des signaux de postes considérés auparavant comme inaccessibles.
- e) L'expansion du premier réseau privé de télévision, TVA.
- f) L'implantation du deuxième réseau de télévision privée.
- g) L'expansion du réseau de télévision éducative de Radio-Québec.
- h) L'implantation du service de télévision en langue anglaise de Radio-Canada en dehors de Montréal et Québec.



Mademoiselle Lise Ouimet (Suite)
Adjointe au Secrétaire général
CRTC

Le 30 septembre 1976

5. Tous les facteurs de fragmentation de l'audio-
toire ci-haut mentionnés agissent aussi directement sur l'écoute radio.
De plus, les postes radio MF anciens et nouveaux, devant maintenant
opérer dans le cadre d'une réglementation plus exigeante, sentiront
tout particulièrement des effets de cette abondance de services radio
et TV. La télévision à péage rendrait la situation encore plus difficile
pendant cette période de transition qui commence.

L'A. C. R. T. F. espère que le Conseil planifiera
l'arrivée de la télévision à péage de telle sorte que les effets de
cette implantation ne puissent se faire sentir avant que l'industrie
n'ait absorbé les principaux contre-coups résultant de la réalisation
des projets majeurs connus et en marche et ayant tous une incidence
directe sur l'équilibre d'un système fort complexe et devant déjà
relever de nombreux défis.

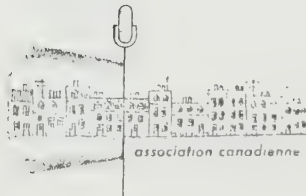
L'A. C. R. T. F. remercie le Conseil de l'attention
qu'il portera à ces quelques remarques. Nous ne désirons pas
comparaître au cours de l'audience publique qui traitera du sujet,
à moins que vous en exprimiez le désir.

Veuillez agréer, chère mademoiselle Ouimet, l'ex-
pression de nos sentiments distingués.

Paul Chamberland
Président de l'A. C. R. T. F.

par:


Président sortant



Paul Boyd
75 East 8th Avenue
Vancouver, B.C.
(604) 874-3617

September 28, 1976.

TO: Canadian Radio Television
Commission
100 Metcalfe St.
Ottawa

COMMENT
COMMENTAIRE

84

SUBJECT: Submission to the Commission
on PAY TELEVISION

The following are what I believe as a individual, guidelines to ensure the success of Canadian Pay Television when it is approved by the C.R.T.C. in 1977.

1) CONTROL

- The Canadian Pay Television system should be a mixed corporation involving cable television interests with controlling power, and broadcasters, producers, and the general public making up the remaining portion.
- This system should be a concentrated effort of the Canadian Cable Television Association. As many members as possible to ensure future success of the system. Their Pay Television Network (PTN) established in June 1976 ideas, should be considered and established that are in agreement with a Canadian system.
- I am in agreement with the 3 major ideas expressed by the honourable Jeanne Sauve concerning siphoning, Canadian production, international sales. Fifteen to Twenty per cent of gross revenue should be dedicated to Canadian production.

2) METHOD

- Delivery of the pay tv signal should at first be by cable method only. After the 2nd or 3rd year of development if and when the PTN system is successful, over the air broadcast methods such as low power scrambled UHF transmissions, should be examined to bring the PTN to the rural or non-cabled areas.

Received by - Reçu par
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OCT 6 1976

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2) METHOD--continued

- It should be delivered by the scramble-de-scramble method and where at all possible on a clear basic dial channel. In heavily channeled, heavy converter subscribership areas the PTN channel should be put on mid or superband frequencies. Perhaps the Jerrold SDS system should be examined as Jerrold converters and head-ends seem to be the choice of Canadian cable companies and their systems have been tested and are in use in parts of the U.S.A.
- Subscription should be on a per channel basis rather than a per program system. The latter method would involve major re-building and re-wiring for many companies and the cost would be excessive. A month to month renewal subscription basis is much more desirable with the viewer knowing one to two months in advance of the programs to come.
- Signal or program quality should be equal or near to broadcast standards. A view at yesterdays pay tv systems show that undesirable signal quality was partially the reason for failure. A set standard should be established.
- Two Networks. One French. One English. Each beamed to the appropriate areas where an audience is. Or separate scrambling frequencies, separate de-scramblers with english and french available in all areas.
- Where at all possible transmission from a main point should be by satellite, or micro-wave with bicycling as a third alternative. Packaging could be done by the individual cable company.
- A set and pretty well standard fee should be agreed on not to exceed \$10.00 preferably \$8.00. Installation and rental deposits and the such should have reasonable limits within the reach of the average consumer.

3) RULES

- All programming should in no way have advertising at the beginning or end whatsoever. No advertising permitted.
- Films should be 1st subsequent run or older and adhere to the commissions siphoning rules. They should be repeated at several times of the day, for several days so that all consumers will have a choice of viewing times.

3). RULES--continued


- Every film should contain a legend or rating of age group before the opening frames arrive on the home screen. Perhaps of a 30 second duration so the subscriber could decide on whether or not they will be offended by the following. With this system in effect PTN would be able to send the more contemporary or restricted type films in the later evening hours subject to each cable operator. This popular type of programming should be kept to after eleven or twelve pm to limit viewing by underage viewers.
- At first, until the PTN establishes itself, a low Canadian content ruling. Then as the net becomes successful, raise the requirement with fore-warning to acceptable standards.
- A live event quota on a per month or per yearly basis should be established with the PTN. Whether the events are handled by a PTN production facility or on a contract basis should be decided by the Commission. Canadian and American events should be acceptable for live tele-cast. Night-club, closed-circuit, theatre, or big event non-siphoning material should be encouraged and a percentage required to off-set the film material. Agreements to telecast American events of entertainment importance should be made in exchange for Canadian events of equal amounts.

4) JURISDICTION

- Should come completely under the Canadian Radio Television Commission,

In conclusion, I believe that a truly Canadian Pay Television Network can be formed, to assist in the Canadian production of film and entertainment events that will be demanded in the international marketplace. With concessions on the commissions behalf, for the first year or two of development, perhaps the two Pay Television Networks can succeed in the most natural pay tv method, cable, and extend to the rural methods of transmission as soon as possible. I hope you will accept these points, as a submission on Pay Television.

Sincerely,


Paul Boyd
Vancouver, B.C.



ADMINISTRATION:
70 RUE MAYRAND ST.
MONTREAL, QUEBEC
H2E1
T: 731-7951

BUREAU DES VENTES:
LES DEPARTMENTS:
17 DE LA SAVANE
MONTREAL, QUEBEC
H2V4
T: 731-7851

LES DEPARTMENTS:
70 RUE MAYRAND ST.
MONTREAL, QUEBEC
H2E1
T: 731-7761

COMMENT
COMMENTAIRE

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September 29, 1976.

The Canadian Radio-Television Commission,
100 Metcalfe Street,
Berger Building,
Ottawa, Ontario.
K1A 0N2

Dear Sirs:

In response to the Commission's request for submission regarding Pay TV in Canada, we have attached 3 copies of a short brief which suggest that it may be appropriate to delay the introduction of Pay TV in its present form and to adopt as an interim measure an alternative method of stimulating the production of Canadian television programs.

We would be pleased to answer any questions which you may have but we do not request to appear at any Public Hearing on this subject.

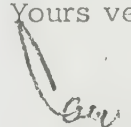
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Received by - Reçu par
SECRETARIAT

OCT 5 1976

C.R.T.C.

Yours very truly,


David M. Ferguson
President

PAY TV - WHO NEEDS IT?

After several years of delay, the Canadian Government has instructed the CRTC to open an investigation into the opportunities and benefits surrounding the introduction of Pay TV in Canada. This represents a significant change in public policy for Pay TV has been prohibited by the regulatory authorities. Obviously, the Government has now come to the view, long held by certain others in the industry, that the capacity of Canadian cable television systems now hold more for the benefit of Canadian art and culture than their potential to harm the Canadian broadcasting system.

This timing is appropriate because with the licensing of almost all major metropolitan centers in Canada for cable television, we have now reached the high tide of any harm or potential harm that can be rendered to conventional broadcasting through the importation of American television signals. Henceforth, the benefits of coaxial distribution, with its enormous carrying capacity, will compensate and in time could far outweigh the risks and potential harm to the Canadian broadcasting system.

The proponants of Pay TV make elaborate promises of the benefits to be derived from this new outlet and all of these predictions, even the most enthusiastic, will no doubt be realized, in time. Pay TV is coming and in the right form and at the right moment will generate opportunities which will be unrivalled. But today there are alternatives which in the short run at least, may be much more advantageous to the participants in the Canadian broadcasting industry, especially Canadian producers of television programs.

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One hesitates to state contrary views when from all sides we are being encouraged to embrace a new delivery system and reap its rewards. But an argument can be made for the opposite point of view and the short answer to the question "Who needs Pay TV?" may be that at the present time, no one needs it.

It is important at this crucial turning point that we should not leap immediately and prematurely towards final decisions regarding the structure, performance and ownership of a system of Pay TV for Canada. To be sure, the experience in the United States where Pay TV has been introduced for several years suggests that there is a ready, if somewhat specialized, market for such a service. But the structure of the Canadian television and cable television systems is different from that in the United States and there are alternative avenues available to us today which probably hold greater immediate advantages.

Why Now?

To analyze this situation, it would be worthwhile to examine the objectives of the various participants which now lead us to examine the potential benefits of Pay TV.

- 1) For the Canadian Government, the change of policy stems surely from the growing belief that Pay TV can generate significant funds to support an under-developed Canadian production industry. It is only the promise of this support which has encouraged the Government to moderate its fears over the audience fragmentation produced by expanding Canadian cable television systems.
- 2) The broadcaster, fearful of further audience fragmentation, now sees that this is inevitable and prefers a form of non-advertiser supported competition to the further proliferation of commercial television stations within their markets.

Those broadcasters with production facilities, also recognize that losses, resulting from declining circulation can be compensated for by additional production revenues generated by the Pay TV channels.

- 3) For the cable operator, who has always been interested in Pay TV, this represents an opportunity for the further use of his system, expanding its utility and increasing service revenues.

To these specific objectives should be added a fourth and that is that we should seek preliminary approaches or solutions which will leave a large degree of flexibility for the future in the event that the universe does not unfold as it should. One should be hesitant to create ab initio a costly and elaborate structure when future development cannot be reliably predicted. Further, it must surely be agreed that we should seek a system with the minimum amount of rules and regulations regarding content, performance, revenue, distribution and profit. Such regulations may, in time, prove to be necessary in order to reach the hoped-for goals but it is sensible at the beginning to establish an environment whereby the principal objectives can be pursued without the incumbrance of regulations and the cost of enforcement.

Current Pay TV Delivery Systems

The problem with conventional Pay TV, as it has developed in the American suburbs serving the major metropolitan areas, is that when applied to the Canadian scene, it will result immediately in substantial revenues for manufacturers of security devices and there will be a long delay in the generation of revenues to support Canadian production. Even in the United States the amount of new production generated by Pay TV has to date been minimal.

Pay TV, as it is currently available, requires a dedicated and secure channel on the cable system. The simple fact of the matter is that there is today no satisfactory low cost method of providing this security.

The much talked about "negative traps" are frankly unusable in any large metropolitan area where a significant proportion of the population lives in apartments, connected to cable by common risers. We are many years away from the rebuilding of these systems. The newly developed "positive trap" is only now being tested in a small community in California and there is significant technical evidence, now apparently being confirmed in the field, that such systems are easily by-passed with an enormous rate of pilferage. Certain observers who have studied these tests claim that the effective life span of the "positive trap" may be no more than ninety days, for such is the speed with which subscribers can acquire a by-pass device.

The only other form of security available to us today is an encoded-decoded system of scrambling which requires a de-scrambler terminal at each TV set. The cost of such a unit today in addition to the basic cost of a channel converter is in the range of \$40 to \$50. When one considers the early stage in the development of this equipment and calculates the capital cost, the rate of obsolescence, the interest cost, the servicing expense and the unavoidable high rate of pilferage, it is clear that the development of any delivery system which requires these devices, could well generate an expense of at least \$100 for hardware and maintenance costs over the first three years of operation. These calculations should be given extensive and detailed study, for it seems to further none of the objectives outlined above if the first call on the

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potential new revenue from Pay TV is to provide such sums of money to manufacturers of distribution hardware. This being the case, there is surely merit in examining whether, in the current Canadian situation, there are not alternative ways available to us which will generate more funds for the Canadian participants, the most important of whom is the Canadian television production industry.

An Alternative and Interim Solution

One alternative should not be overlooked and that is the further exploitation of the "Supplementary Channel" already approved but virtually unused by Canadian cable television systems. The CRTC has for some years been prepared to allocate a channel, usually on a non-standard frequency, for a supplementary service, but the regulations regarding the program content of such a channel have been such that its use today has been minimal or non-existent. But this already approved concept can be resuscitated and would provide immediately an outlet for Canadian production along lines consistent with those expressed in recent Government statements.

Let's assume the following, that:

- a) All formal regulatory restrictions would be removed from the use of the Supplementary Channel on a non-standard frequency. The control over program content would be governed by community standards, competition from other sources of entertainment, subscriber pressure, etc.
- b) Cable operators would be allowed to raise their rates by any amount not to exceed a maximum of, say, \$2.00 per subscriber, per month. Again the specific amount of increase would be governed by the situation prevailing in individual localities.

- c) A specific portion of this rate increase, say, 90 percent would have to be spent for programs on the Supplementary Channel. As noted, there would be no content regulations required, but there would be the stipulation that a certain percentage of whatever amounts were allocated would have to be spent at arms length transactions with "legitimate" or "accredited" Canadian producers.

The percentage allocated to Canadian production should be somewhat lower in the early development years, allowing the initial popularity of the Supplementary Channel to be built around readily available American programs. However, once this had been achieved the allocations to Canadian producers could be increased substantially to, perhaps, well over 50% of available revenues.

This is an obvious attraction of such a solution to the cable operator. In addition to added revenue, he creates a new service for subscribers which should improve the utility of the cable subscription and increase the penetration of his expanded service, converter package. Such a scheme would allow him maximum flexibility regarding rates and programming; it would introduce no new authorities or administrative impediments and one could expect that a variety of different programming solutions would come forth. It does, moreover, ensure that a major portion of the funds generated will be spent with Canadian television producers. While no one can predict the programs that will result, we can be certain only that the solutions will be Canadian. As noted, no further investment will be required in expensive and untried technology and hardware.

For the Canadian broadcaster, there can be no escaping the fact that his circulation will suffer depending on the popularity of this new Supplementary Channel, but

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significant inflows of new revenues for Canadian production should, in large measure, compensate for this.

The obvious benefit is the immediate stimulus which such a system would give to Canadian television production. The principal objective of the Canadian Government is thus pursued from the very beginning. No delays for conventional Pay TV feasibility studies will be required; no substantial new investment will be required; no funds need be syphoned off from production to pay for hardware. We will simply be using another channel already authorized, for somewhat different programming to be sure, on the existing delivery systems. The recent change in Government policy would thus yield immediate and substantial results.

At present, channel converters of various prices and qualities are readily available at all manner of retail outlets in Canada. The availability of such devices increases the risk of theft of service, the pilferage of programs by cable subscribers. It would be consistent with the stated policy of government support for program production if laws were to be introduced, as they have been in the United States, prohibiting the sole use or attachment of unauthorized devices or terminals on cable systems. This would prevent pilferage and ensure that those who wanted access to these programs would be billed accordingly and the funds thus provided could be funnelled, as described, back to the program production industry.

The Future

In the long run, perhaps the most attractive feature to this alternative is that it imposes no new rigidities, structures or inflexibilities for the future. No new agencies need to be created, no new groups need to be licensed and monitored and the Government will be free in future to pursue other forms of Pay TV as they become

technically feasible and economically practical.

One cannot overemphasize the importance of this latter point. The ultimate system of Pay TV is not something which can be produced today, for current equipment and economics demand that we proceed now via some form of subscription or private channel television. This has many disadvantages and limitations not the least of which is that there is no incentive to develop quality or variety on this channel over the long run. The desirable form of Pay TV is, of course, a system whereby programs can be purchased individually, leaving specific and complete choice to the subscriber. We are probably only five or six years away from that point in time when such a delivery system will be available, and there is a strong incentive to wait for Pay TV until we see better the shape of such a system. In the meantime, it would be foolish to invest the sums required in hardware, carrying costs and maintenance expense for an interim system which will only syphon huge sums of money away from the immediate goal of stimulating the Canadian television production industry.

CABLE TV LIMITED

September 1976.

A.C.D.I.

ASSOCIATION QUEBÉCOISE DES DISTRIBUTEURS DE FILMS

Montréal, Canada

Montréal, le 30 septembre 1976

CONSEIL DE LA RADIO TELEVISION CANADIENNE
a/s Monsieur Harry Boyle
Président
100, rue Metcalfe
Ottawa
Ontario

Executive Assistant's Office
Bureau du Chef de Cabinet

COMMENT
COMMENTAIRE

OCT 1 1976

Cher monsieur Boyle,

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C. R. T. C. - Ottawa

La présente fait suite à l'appel de commentaire sollicité par votre circulaire du 30 juin 1976 concernant la télévision à péage.

Suite à cette circulaire, les membres de notre association se sont réunis à plusieurs reprises pour étudier les différentes facettes de la mise en oeuvre d'un système de télévision à péage au Canada.

Qui
sommes-nous

Je me permets d'abord de vous rappeler que notre association représente les distributeurs "indépendants" de films qui opèrent au Canada à partir de Montréal, ou à partir de Toronto mais avec une base permanente à Montréal.

Par "indépendant" on entend un distributeur contrôlé majoritairement par des intérêts canadiens contrairement à un distributeur contrôlé majoritairement par des intérêts étrangers et communément appelé "major" (Paramount, Fox, Columbia, etc).

Notre association groupe quinze (15) distributeurs, lesquels sont responsables d'environ 90% du volume d'affaires créé annuellement au Canada français par les "indépendants" et d'environ 70% du volume d'affaires créé annuellement au Canada anglais par les "indépendants".

.../2...

Quelques
indications
générales

Avant d'entrer dans le détail de ce que nous croyons être la question primordiale, nous voulons simplement vous confirmer que nous sommes heureux de constater que le Conseil de la radio-télévision canadienne et le Ministère des Communications ont décidé de réglementer immédiatement la mise en place de la télévision à péage, nouveau mode de diffusion qui ne pourra que favoriser l'essor de notre industrie si son orientation de départ est la bonne.

Nous ne croyons pas nécessaire, pour l'instant, de vous faire des recommandations sur tout aspect qui serait davantage relié au "hardware" et à la structure même de la "super-agence", sauf que nous pensons :

- a) que le réseau de cablo-distribution serait le plus approprié comme véhicule pouvant transmettre le "software" aux consommateurs,
- b) que les grands réseaux de télévision (C.B.C., Radio-Canada, CTV, Canal 10, etc) doivent être complètement exclus de la super-agence,
- c) que les modes d'implantation de la télévision à péage doivent être les mêmes à travers le Canada, au niveau des principes, mais comporter certaines différences d'application entre diffusion en milieu francophone et anglophone, vue l'emprise moins grande des "majors" sur le milieu francophone et par conséquent le rôle plus grand joué depuis longtemps par les "indépendants".

La question que nous jugeons vitale et essentielle se résume en bien peu de mots :

La question
vitale
pour nous

- Tout film, téléfilm, série télévisée, etc, produits à l'extérieur du Canada, quels que soient son origine, sa date de production, sa durée, sa couleur, son support technique (vidéotape, vidéo-cassette, 8mm, 16mm, 35mm, etc) devraient être acquis par le réseau de télévision à péage via un distributeur canadien "indépendant".

Permettez-moi d'attirer votre attention sur le maillon indispensable qu'est le distributeur de films "indépendant" pour asseoir les bases d'une industrie cinématographique canadienne. En effet on oublie trop souvent que les distributeurs "indépendants" sont une source importante de financement pour la production cinématographique canadienne.

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Les montants investis par les membres de notre association, par exemple au cours des dernières années, s'élèvent à \$ 9,211,376.00 et ceci dans la production de longs métrages de fiction uniquement. Ces 9 millions de départ ont nécessairement engendré d'autres investissements se chiffrant en millions de dollars dans ce même secteur. Inutile d'insister sur le fait qu'une bien faible partie de ces 9 millions a effectivement été récupérée par ces investisseurs.

Il est évident que sans les distributeurs "indépendants", ces investissements n'auraient pu avoir lieu, car il est de savoir commun que les "majors", malgré des ressources infiniment supérieures n'ont, à ce jour, pratiquement rien investi dans la production cinématographique canadienne. Non seulement ils n'ont pas investi, mais nous pouvons affirmer qu'ils ne sont pas intéressés à ce que notre industrie se développe, car les films ainsi produits accaparent nécessairement une partie du marché auquel pourraient avoir accès leurs propres films.

La présence du distributeur "indépendant" a été immédiatement évidente lorsque la Société de développement de l'industrie cinématographique canadienne a commencé à opérer. C'est en effet chez les francophones que le premier boom de la production canadienne s'est fait sentir et ceci uniquement parce que le Québec, grâce aux particularités de sa langue, avait permis que se développent des distributeurs, producteurs et exploitants "indépendants" en plus grand nombre que dans le reste du pays.

Cependant, la situation de plusieurs de nos membres est de plus en plus précaire car les "majors" commencent à organiser systématiquement leur contre-attaque en vue de reprendre la partie du marché francophone qu'ils ont alors perdu depuis 1969/70.

A long terme, il n'y a qu'une seule possibilité pour les distributeurs "indépendants" de survivre, de se développer et d'avoir l'opportunité de jouer un rôle considérable dans l'industrie cinématographique canadienne, et c'est à travers une réglementation du Gouvernement canadien qui ferait en sorte qu'un film étranger - autre que américain? - ne puisse être distribué au Canada autrement que par l'intermédiaire d'un distributeur "indépendant".

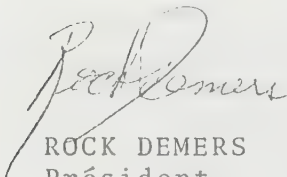
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Nous savons qu'il y a encore beaucoup de chemin à faire pour en arriver là, mais un précédent vital pourrait être établi à l'occasion de la réglementation de la télévision à péage. En effet, il serait facile d'imposer, dès le départ, que tout au moins pour ce mode de diffusion, la totalité du "software" non canadien soit acquis via les distributeurs "indépendants".

Si tel ne devait pas être le cas, les distributeurs "indépendants" seront appelés à disparaître au cours des prochaines années et sans eux, nous pouvons affirmer de façon absolument catégorique qu'il sera impossible que se développe une industrie cinématographique "culturellement canadienne".

Nous pourrions, comme nous l'avions pensé il y a quelques semaines, vous faire part de nombreuses autres considérations relatives à l'implantation de la télévision à péage au Canada, mais finalement, nous croyons qu'à ce stade-ci, si le principe de l'approvisionnement via les distributeurs "indépendants" n'est pas établi définitivement au départ, toute autre considération que nous pourrions faire serait inutile.

Espérant avoir l'occasion de développer notre point de vue plus amplement au cours d'audience publique ou de rencontre privée avec vos délégués chargés de la réglementation de ce nouveau mode de diffusion, je vous prie d'agréer, cher monsieur Boyle, l'expression de mes sentiments distingués.



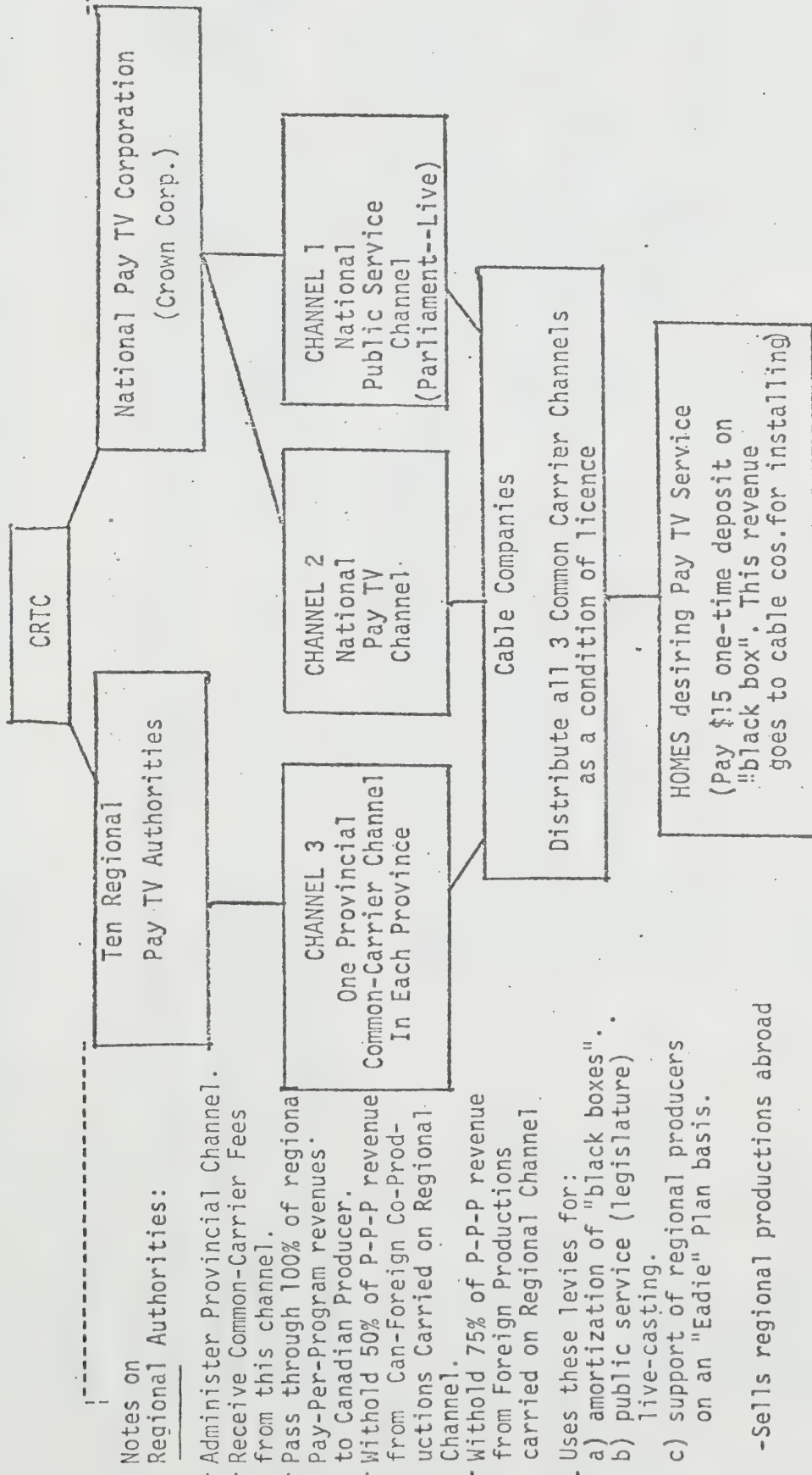
ROCK DEMERS
Président

ASSOCIATION QUEBECOISE DES DISTRIBUTEURS
DE FILMS

c.c.

Madame Jeanne Sauvé, Ministère des Communications
Monsieur Michel Arpin, C.R.T.C.
Monsieur M. Desjardins, Ministère des Communications
Monsieur Guy Lefebvre, C.R.T.C.
Monsieur Jean Fortier, C.R.T.C.

A Distinctively Canadian Pay TV Draft Model # 1



Notes on Regional Authorities:

- Administer Provincial Channel.
- Receive Common-Carrier Fees from this channel.
- Pass through 100% of regional Pay-Per-Program revenues to Canadian Producer.
- Withhold 50% of P-P-P revenue from Can-Foreign Co-Productions Carried on Regional Channel.
- Withhold 75% of P-P-P revenue from Foreign Productions carried on Regional Channel.

Uses these levies for:

- a) amortization of "black boxes".
- b) public service (legislature) live-casting.
- c) support of regional producers on an "Eadie" Plan basis.

- Sells regional productions abroad

Notes on National Pay TV Authority:

- Administers National Channels 1 & 2
- Receives National Common-Carrier revenues from Channel 2.
- Passes through 100% of national pay-per-program revenues to Canadian Producers
- Withholds 50% of P-P-P revenues from Can/Foreign co-productions carried on national channel.
- Withholds 75% of P-P-P revenues from foreign productions carried on national channel.

Uses those levies for:

- a) transmission costs of common carrier.
- b) UHF/satellite to remote areas.
- c) National Public Service channel.
- d) payments to Canadian producers on "Eadie" plan basis
- e) Seed-money to CFDC

- Sells Canadian Productions abroad

COMMENT
COMMENTAIRE

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SUMMARY OF REVENUE DISTRIBUTION

Home Viewer:

- Pays one-time \$15 installation charge for "black box" to cable co. or UHF station.
- Pays Fee-Per-Program watched, billed automatically by cable co. or Bell, who get a modest billing fee.
- Pay-per-program fees are set by individual producer or distributor, and may range from 10¢ to \$3 or more.

National Pay TV Corporation

- Receives pay-per-program revenues from National Pay TV Channel.
- Pays transmission/satellite/ground station costs.
- Passes through 100% of national pay-per-program revenues to Canadian Producers
- Withholds 50% of pay-per-program revenues from Can/Foreign Co-Productions carried on national ch.
- Withholds 75% of pay-per-program revenues from foreign productions carried on national channel.
- Distributes surplus from these levies to Canadian producers of programs carried on national pay channel on "Eadie Plan" basis, as well as providing seed money to CFDC.

Cable Companies:

Get \$15 installation fee for installing "black box" and receive additional fee from regional authority for servicing and replacing black boxes.

Benefit from anticipated higher penetrations.

Canadian Producers:

Get 100% of the pay-per-program fees on programs they place on either the National or Regional Pay TV Channels. They or their distributors actually set the pay-per-program fee, which can be anything from 10¢ to \$3 or more, depending on their judgment of what fee will maximize their revenues. They also share in an "Eadie Plan" distribution of surplus revenues on the basis of the numbers of viewers who watched their shows. They can, of course, air their productions once or many times, nationally and/or regionally. They will have first call on all channel-time allocated for Canadian Programming. Allocations would be on a sliding scale, higher each year as Canadian programs gained viewer acceptance.

Regional Pay TV Authorities

- Receive pay-per-program revenues from regional Pay TV channel.
- Pays amortization and replacement costs of "black boxes"
- Passes through 100% of regional pay-per-program revenues to Canadian producers of programs carried on regional channel.
- Withholds 50% of pay-per-program revenues from Can/Foreign co-productions carried on regional channel.
- Withholds 75% of pay-per-program revenues from foreign programs carried on regional channel.
- Distributes surplus from these levies to Canadian Producers on basis of number of audience who watched their program on the regional channel ("Eadie Plan" basis); and provides seed-money to regional program producers.

Canadian Distributors:

Get commissions on all foreign movies they place on pay TV channels. Distributors actually set the pay-per-program fee they will charge for each program, but are remitted only 25% of the box-office receipts for foreign programs and 50% of the box office receipts for Can/Foreign co-productions. Only Canadian distributors may place foreign programs on Can. pay tv channels.

PROGRAM CONTENT

CHANNEL 3--Regional Pay TV Channel

Pay-Per Program
One Channel in Each Province

Regulated by Regional Pay TV Authority
operating under CRTC content rules

Regional Pay TV Authorities set standards
re: violence, sex etc. for their channel.

May carry provincial legislatures, committees, hearings etc. at its discretion.

CHANNEL 2--National Pay TV Channel

Pay-per-program

Regulated by National Pay TV Corporation

Regulated by National Pay TV Corp. standards
regarding violence, sex etc.

Carries Canadian and Foreign programs
according to rules set up by National Pay TV
Corp, including regulation of prime-time etc.

Possible split of Air Time:

All-Canadian Movies & Events: 20% First Year
rising to 80%
as possible.

Canadian Participation
Movies & Events: 40% First Year
reducing to 10%
as possible.

Foreign Movies & Events: 40% First Year
reducing to 10%
as possible.

CHANNEL 1--National Public Service Channel

Free

Carries Parliament, House & Senate Committees,
Hearings of National Importance, on live
real-time and repeats or summaries as
Parliament permits.

Also United Nations and foreign legislative
and public events of compelling interest.

PROBABLE EFFECTS

ON VIEWERS:

- Canadian movies & events at very moderate fees, fees set by the producer at levels low enough to attract an audience.
- Foreign movies at prices set by their Canadian distributors and with standards regulated by Canadian authorities.
- Regional preferences by regional control of regional channel.

-Regional movies or events at low or zero cost-per-program

-Freedom to choose by pay-per-program policies.

-Easy access to pay channels by paying only \$15 one-time installation charge.

-No charge for parliament and regional government live real-time coverage and repeats.

ON UHF SPECTRUM:

UHF stations could be established where preferable over cable for distribution.

ON CANADIAN MOVIE PRODUCERS:

Powerful stimulus to Can. movie and program industry through massive funds from 100% pay-per-program fees and "Eadie Plan" dividends and seed-money from CFDC.

Guaranteed exhibition of their films. Even minority-interest or very low-budget movies will have the opportunity to attract a small audience by setting pay-per-program fees very low, ie. at 10¢; or charge a higher fee for a smaller box-office; or try both methods on repeat airings.

Canadian producers will be stimulated to become impressarios of live theatrical, musical and special interest events and programs, all of which could fit this pay-per-program concept.

Even a magazine show such as "This Hour Has Seven Days" could conceivably be produced for pay-for-program use, assuming it was not available on off-air tv.

ON CFDC AND NFB:

Stimulation and broadening of present and planned production roles.

ON PROVINCIAL AUTHORITIES

Opportunity to operate their own pay-tv channel, reflecting regional preferences and tastes and cost-benefits.

Opportunity to schedule provincial legislature and regional events.

Opportunity to create public Regional Pay TV Authority, or select private sector if they prefer. Or avoid participation if preferred.

Opportunity to stimulate and benefit regional movie and program producers through 100% pass through pay-per-program revenues, "Eadie Plan" dividends and regional seed money.

Regional authorities may also choose to work with Canadian producers from other regions at their option, to produce regional-interest programs.

ON FOREIGN MOVIE MAKERS:

Financial incentives for them to co-produce with Canadians and to use only Canadian distributors to get their movies and events on Canadian Pay TV

Opportunity to acquire Canadian movies for foreign distribution, especially for those foreign distributors who co-produce here.

ON CABLE COMPANIES:

Increased penetrations boost revenues.

\$15 one-time charge covers installation costs of "black box", which is provided free by regional authority (which amortizes it out of pay-per-program revenues)

Modest revenues from providing billing services, if more competitive than Bell.

Common-carrier hardware which will be provided by Pay TV National Corp. will have capacity for, or assist in preparing for, additional common carrier channels and services.

Additional revenues from provision of converters in areas where they are needed for the extra pay tv channels; and higher penetrations of converter service where they already exist.

ON BROADCAST STATIONS:& TV NETWORKS:

Slightly diminished viewership & revenues but no competition for advertisers.

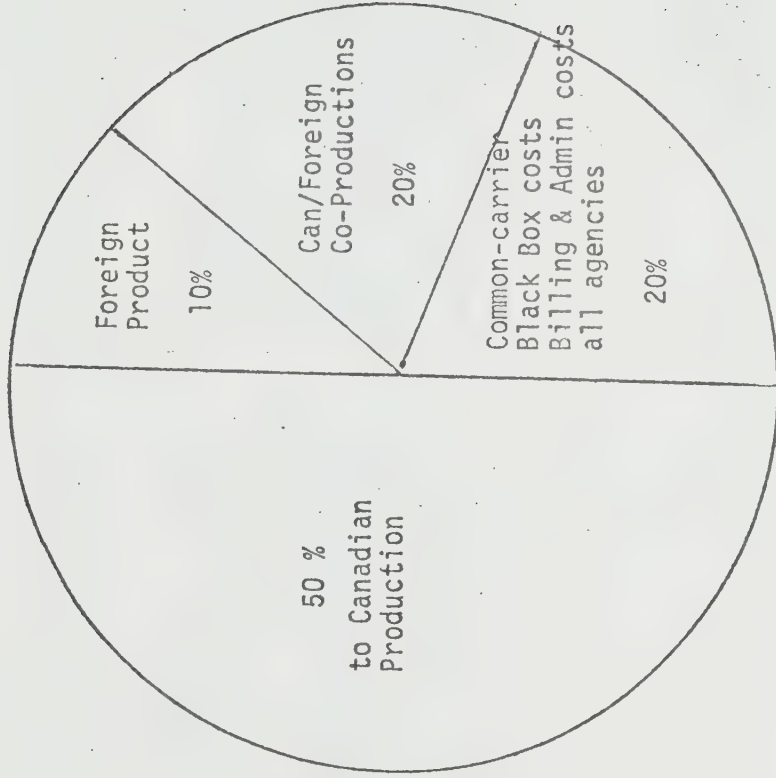
Opportunity to produce pay tv movies.

Enhanced Canadian movie production available for subsequent TV run.

ON SCIENTIFIC COMMUNITY IN CANADA:

Stimulation of research activities to produce direct satellite to home transmission

POSSIBLE SPLIT OF PAY TV DOLLAR



Above estimates are based on the assumption of very high penetration of Pay TV to cable subscribers due to only \$15 installation cost and no monthly charges. Estimates of amounts a family may spend on pay-per-program range from \$10 to \$25 or more per month.

(Subject of course to detailed studies and cost surveys)

DISTRIBUTION SYSTEMS:

Stage 1: Could begin with videotape bicycling for brief experimental period if necessary.

Stage 2: Satellite to Cable Head-Ends or local earth stations. UHF stations or small-dish satellite receivers from communications satellite as technology develops. Where cable distribution is used, 3 channels would be provided initially using black box scrambler/billing.

Stage 3: National cable optical fibre grid, or direct satellite-to-home transmission, depending on economics of the technology.

AGENCIES INVOLVED:

CRTC:

Licensing
Anti-Siphoning Rules
Regulating Canadian Content

NATIONAL PAY TV CORPORATION:

Crown Corporation, broad national and occupational directorship, with representation from CFDC, CBC, CTV, CCTA, CCFM, Unions etc.

Regulates standards as to violence, sex etc. on national pay tv channel.

REGIONAL PAY TV AUTHORITIES:

Established by provincial governments, either as public authorities or from private sector is they choose.

Regulate standards re violence, sex on regional pay tv channels.

CAN. FILM DEVELOPMENT CORP.:

Receives and distributes seed-money to Canadian film and program producers.

WHO SHOULD RUN PAY TV?

This draft model for a pay tv system is based on the assumption of shared responsibility by governments and private sector, with a federal crown corporation and provincial (regional) agencies occupying the central role.

It seems to the writer that the broadcast networks have their hands full with their own program responsibilities; that the cable company consortium is not ideally qualified to make the necessary program judgments, but is best equipped to deliver a common-carrier signal to most homes.

As to the CBC proposal for a 2nd national broadcast network, this is an objective which should be considered on its own merits, but seems not particularly relevant to the special possibilities offered to Canadian producers by a pay tv system. If the CBC can find a way to get out of the business of promoting and spending resources on U.S. programs, it would have plenty of airtime to develop more distinctly Canadian programming, and to re-run its valuable Canadian programs as well.

A COMMENT ON TIMING:

The U.S. experience proves beyond doubt that pay tv is desired and will be supported by viewers of a free-tv system; that pay tv can provide an important new revenue source for producers; and that pay tv can provide a valuable alternative to commercial off-air tv.

Undue haste in implementation of a pay tv system for Canada is certainly undesirable; but unnecessary delay as advocated by vested interests would post-pone indefinitely the encouragement pay tv can provide to the program producers of Canada, and the enriching of the national experience which is possible through decently-financed Canadian motion pictures and special programs.

A NOTE ON BIASES:

The author of this draft model is a shareholder and officer of a private-sector film production company and a public cable tv company.

In neither capacity is he likely to benefit noticeably from implementation of this or any other pay tv proposal; but as a Canadian he would hope to gain from the immense potential benefits pay tv may offer to the discriminating viewer, and to the national spirit.

A NOTE ON SOURCES:

(The author of this draft model has benefited greatly from discussions with many individuals in the film, tv, cable and distribution industries. He has been influenced by the courage and audacity of Film Director Peter Pearson; and by the forum for ideas and discussion provided by the Canadian Council of Film Makers. These dedicated people and groups have contributed to whatever merit this model may have; the author is responsible for its shortcomings. No paid consultants or vested interests were involved, nor did the author receive any emolument from anyone.)



Respectfully submitted by Douglas Leiterman, 43 Brittain St., Toronto

COMMENT
COMMENTAIRE

88

2439 Trinity St.
Vancouver, B.C. Received by *Reçu par*
September 30, 1976 SECRETARIAT

Canadian Radio and Television Commission
100 Metcalfe Avenue
Ottawa

OCT 6 1976

C.R.T.C.

Dear Commission,

I am writing this letter as a private citizen^{1.}, although as a professor of Communication Studies and a director of Vancouver Co-operative Radio I am in a position to have more information than most.

But I write for myself because I am as confused as any person about pay television. How can I, a confirmed watcher of Rockford, Baretta and Kojak suggest that the average urban Canadian should be deprived of first run movies in his or her living room.

I watch television when I am tired, when I can forget the frustrations of work in a dance of image, colour and light from the television screen. While I appreciate the "good" programmes, I seldom watch them. I will not say that I never intend to subscribe to pay television, nor that other Canadians who share the richest diet of slick commercial television should not also have the cherry topping of commercial free movies as well.

I do not think I am less of a Canadian nationalist for that. I do not yet understand the relationship of what we watch and our survival as some kind of independent nation. I find it strange, but highly significant, that the invasion of cable has been accompanied by a new rush of Canadian nationalism.

Yet this is an intervention against pay television. Why?

I do not oppose pay television per se, even ^{if} it's only a new distribution system for American movies. I oppose any proposal that would use pay television to enrich anything but the public sector of communications. I oppose any attempt by those now peddling pay television to narrow the debate to questions of feasibility or funding for Canadian films.

I had no intention of intervening. I read the debates from a year ago and was satisfied that the CRTC had done a remarkable job of balancing the interests and options between the Canadian broadcasting industry and support for Canadian content, if not independence, in this little corner of the economy at least. There was a recognition of public support for the arts, an understanding that "consumer demand" is often stimulated, provoked, generated in sophisticated advertising campaigns.

1. And on a private citizen's typewriter.

There was an understanding that it was easier "to hold off progress", if that is what pay television is, than ~~reign~~ in an established service once people have grown used to its easy accessibility.

But I've listened to the debate and I have become angry. Pay television is less real as a phenomenon (more like speculation) than as a demonstration of some of the ugly realities and sad fallacies in communication, the industry and the arts. And if pay television can create destruction before it even hits the screen, we can wait a little longer for its introduction. Let me explain what I mean.

I once broadcast a debate between a man with large financial holdings in broadcasting and Simma Holt. That man told Simma that being a Canadian demanded a certain degree of sacrifice. It was, he claimed going to cost each and every one of us something to be a Canadian. I suspect if I were to do that interview again now, that "something" would be pay television.

But that is one hell of a definition of being a Canadian (though one which owes a debt to Margaret Atwood). It makes "Canadians" out of those who are not something else, and a virtue out of learning to do without. I cannot accept that.

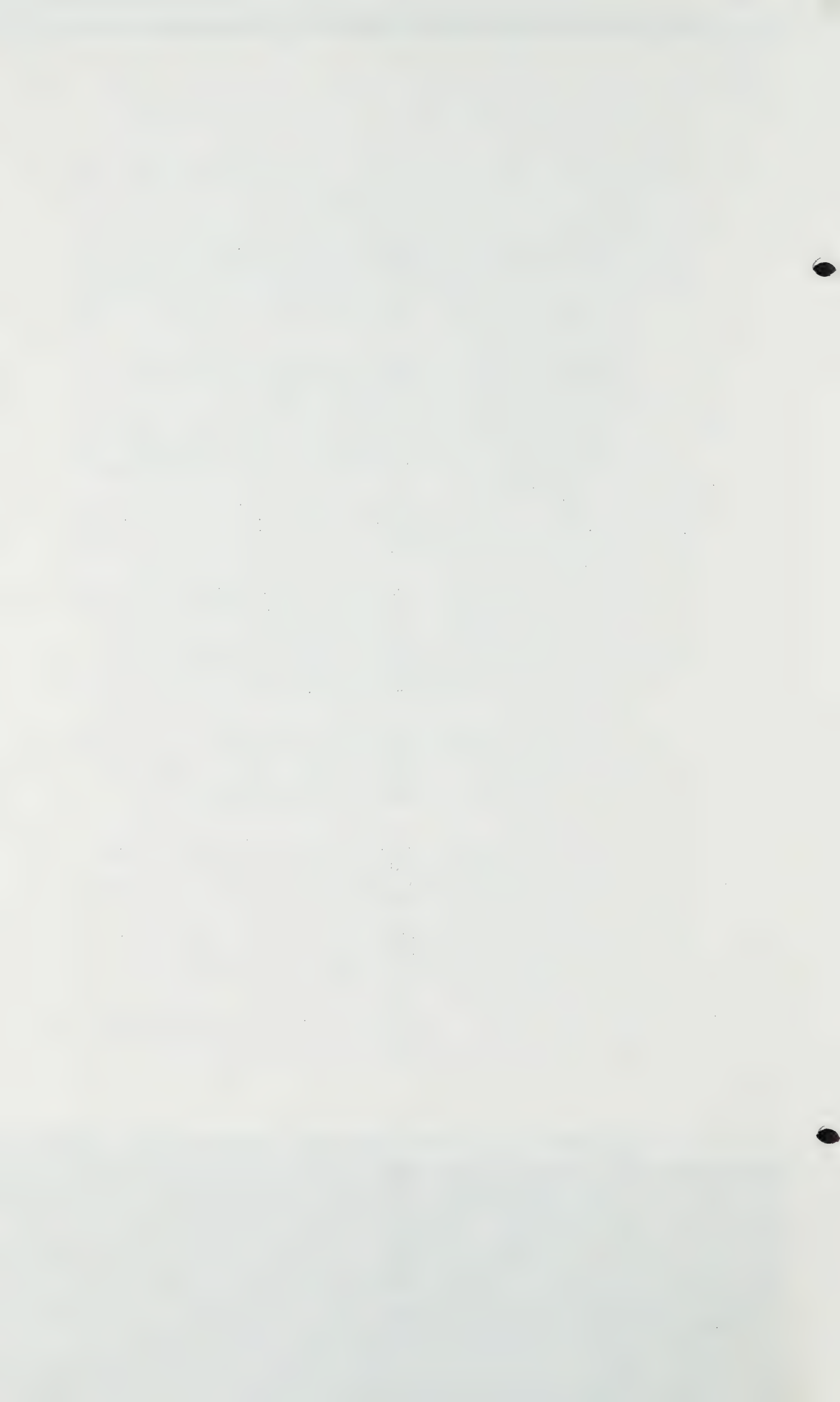
It may well be a fallacy to think there is a necessary contradiction between being a Canadian (or nationalist) and watching American television. But that depends upon what being a Canadian really is. I don't think it is something that can be easily polled or sampled. We cannot divorce ourselves from daily experience, shared circumstance, no matter how ill equipped we may be to define that experience in terms of national identity. Our behavior, self and national image is not simply a Pavlovian response to spoon fed sweetness and violence in what is essentially a leisuretime activity. The same people who watch television with me know what its like to move from Thompson to Fort McMurray to find work, leave the back door unlocked to go shopping in the inner city, buy B.C. produced gas at twice the B.C. price in Washington, follow Joe Clark and Trudeau two years before an election. Leisuretime television viewing as only a small part of the experience of living in this country (although, like sleep, it consumes a good deal of time). But we are easily fooled into believing it is the whole experience, in part because our lack of skill in articulating who we are, and how we feel, is directly related to television watching. But pay television has little to do with that. Nor will the

the principled stand of the CRTC to protect us from another American invasion do very much to challenge television's unwillingness or inability to sharpen our skills of self expression. I wish it were so simple, and that the refusal to consider pay television could be so important in our survival as a nation. The danger is, of course, that pay television will be treated as the symbol of our reaction to creeping Americanism, rejected as a symbol of our protective stance to Canadian culture, and meanwhile the gradual erosion of a strong communications bond in this country will continue in piecemeal regulation, conditions of licence and reversed decisions, and lack of support for the CBC.

Nationalism in Canada has never had mass support. It has never been based in the desires of an urbanized middleclass to get protect and support for the idea that hometown and business function at the centre of the universe. (and thank heaven for that) It has never fared well in consumer polls. It is an establishment concern, a passion of the intellectuals and the artists. And because it is class based, it has never fared well except when focused around the particular needs of the arts or intellectual community. I cannot imagine many ordinary people (no matter how Canadian) making the connection between pay television and the survival of Canada. In its openness to "public response" the CRTC would do well to consider the complexities of public opinion, - that "public" in the sense of public interest has a variety of meanings generated in the very specific situations in which it is articulated.

There has been no public debate on pay television. How could there be debate on the market speculations of industry-generated proposals. Yet in pay television, for the first time in CRTC history, the CRTC has no precedents, no grandfathers, no pre-conditions of policy. The industry has been left to define the debate in terms of profits and efficiencies. The filmmakers have contributed only a debate on funding alternatives of their own arts industry. The CRTC has been left to represent public interest, and at the same time arbitrate between the conflicting interests of opposing groups. The sad part is that in the process of considering pay television, our options have shrunk, the debate is more and more confined to practicality, and contingency. The role of the CRTC seems to be shrinking precisely when it should be expanding.

Similarly, in the debate on pay television, filmmakers and artists have narrowed their concern to money, as if in this day of shifting definitions of "Canadian production" there is any guarantee that new funds would be available to the average creative filmmaker. Who here is talking about what could be done with the medium instead of what could be done with the money?





Têlémétropole Inc.

1405 RUE ALEXANDRE-DESÈVE - MONTRÉAL 133

(514) 526-9251

Montreal September 29th, 1976

Mr. Harry Boyle
Chairman,
Canadian Radio-Television and
Telecommunications Commission,
100 Metcalfe Street
Ottawa, Ontario, K1A 0N2

COMMENT COMMENTAIRE
89

Received - Reçu
Executive Assistant's Office
Bureau du Chef de Cabinet

OCT 6 1976

Mr. Chairman:

C. R. T. C. - Ottawa

Following lengthy consultations with the Associates of the TVA network, we have come to the conclusion that the Associates will not get involved, at the moment, in the creation of a pay television system in the province of Québec.

We are of the opinion that under the present guidelines and circumstances it would be almost impossible to establish a workable system.

The conditions, as presently described, create an almost unsurmountable problem for the production of programs and feature films that could stand the pressures of pay TV. It is our opinion that pay TV on a daily, weekly or monthly basis is presently impossible without feeding itself from existing television formats and productions.

Consequently, we are very concerned that if the rules of pay television as presently projected were to be changed in any way, it would surely compromise the existing broadcasting system. Pay TV, in our opinion, can exist for the time being only on a per occasion basis, feeding itself from foreign super-productions and super-events that are not in the realm of every day television. Product constitutes the main problem, and we do not think that Canada can supply the necessary productions for pay TV. Therefore, we find a basic contradiction between the general cultural goals defined by the Federal Government, the policy of the CRTC on Canadian content and the operational necessities and production requirements of a pay TV system.

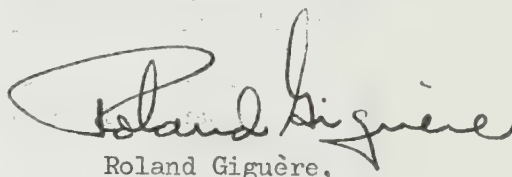
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Mr. Harry Boyle - CRTC
9/29/76 - page 2

We believe that it would be premature for Canada to get involved into pay TV, that more time and more studies have to be made to determine in a more precise way the field of activities of this new venture, and its immediate effects on the whole broadcasting industry and on the Canadian cultural aspirations at large.

I have already discussed at length with you the various aspects of this problem; this letter is for the record, only to confirm our position and point of view to the introduction of pay television in Canada, which, in our mind, should not be part, in the near future, of the global television picture in Canada.

Yours very truly,



Roland Giguère,
President and
Chief Executive Officer

rg/mc

Address of Correspondent:

CLEARWATER FILMS LIMITED,
436 Sackville Street,
Toronto, Ontario.
M4X 1S9.

COMMENT
COMMENTAIRE

September 30, 1976.

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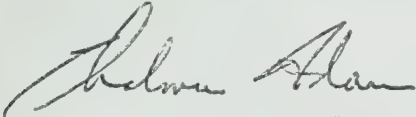
Society
972-2/1
(Pay TV)

Mr. Guy Lefebvre,
Director General of Licensing,
Canadian Radio and Television Commission,
100 Metcalfe Street,
Ottawa, Ontario.

Dear M. Lefebvre:

Please find enclosed three copies of our second Pay Television Brief. We look forward to discussing our views with the Commissioners and, of course, we will be pleased to answer any questions you or they may have. Please consider this letter a request, as well, to appear at the hearings.

Yours very truly,



G. CHALMERS ADAMS
VICE-PRESIDENT

GCA/sh
Encl.

Received by - Regu 238
SECRETARIAT

OCT 12 1976

C.R.T.C.

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COMMENT
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PAY TELEVISION AND THE FEATURE LENGTH MOTION PICTURE

A SECOND BRIEF TO THE

CANADIAN RADIO AND TELEVISION COMMISSION

WITH A VIEW TO

PUBLIC HEARINGS AND THE LICENSING OF A NETWORK

SUBMITTED BY

THE CANADIAN ASSOCIATION OF MOTION PICTURE PRODUCERS

CAMP

September 1976

PAY TELEVISION AND THE FEATURE LENGTH MOTION PICTURE

INTRODUCTION

The Canadian Association of Motion Picture Producers introduced itself last year to the Canadian Radio Television Commission as a voluntary association of individual film producers who are primarily responsible for producing the majority of Canadian feature length dramatic films in the English-language during recent years. Apart from the fact that our members have produced many more feature films during the past fifteen months, the most significant change in the conditions which we enunciated as bearing on the introduction of Pay Television in Canada is the greatly increased enthusiasm of the C.R.T.C. for this prospect. We are encouraged by the Commission's joining us in our enthusiasm and we are particularly gratified to hear reaffirmed the proposition that Pay Television (P.T.V.) must have, as its primary purpose, the benefitting of the Canadian programme production industry. We are, moreover, especially pleased to know that the Commission has come to share our view that P.T.V. ought to and can represent a springboard for the marketing of Canadian made programmes abroad.

With few, and perhaps no, exceptions the submissions that the Canadian Association of Motion Picture Producers made in its brief and in its oral presentation to the Commission in June 1975, remain true. With respect to the feature film production industry itself, however, there have been two significant improvements: first the financing of films now has the benefit of significant, rather than token, participation of the major exhibition chains; and second, film producers are now in a position to represent, with clarity and confidence, to prospective financiers, the tax implications of an investment in a motion picture, and for that matter, in a programme produced on videotape.

CAMP

On the eve of filing this brief with the Commission the authors noted, not without a little satisfaction, that audiences in the Toronto market had the opportunity to see as many as seven Canadian feature length dramatic programmes. Five films were playing in theatres: "The Clown Murders", "Shadow of the Hawk", "Death Weekend", "The Far Shore" and "Goldenrod". CBC Television was offering a feature made-for-television, "The Man Inside" and one channel in the CTV network was offering its audience, which included Toronto, the film "Paperback Hero". In addition theatrical audiences could have seen the work of a resident Canadian director in the British feature film "All Things Bright and Beautiful". Several other features had been released earlier in the year and several more were to follow. Five major films were in production, including one based on W.O. Mitchell's classic "Who Has Seen the Wind", and the programme for the Canadian Film Awards held the prospect of seventeen feature length films, completed in the last year, about to be presented to the public.

Among the plethora of remarkable aspects of this year's production are these facts:

- 1) Production costs ranged between \$50,000.00 and \$1,000,000.00.
- 2) The money to produce these films came largely from Canadian investors.
- 3) Major American and British distributors and producers were beginning to participate in some productions.
- 4) Some of these films have already been sold and released abroad.
- 5) The subject matter ranged from the purely artistic to the unabashedly commercial.
- 6) And Canadian audiences evidenced their interest and enthusiasm for many of these films by actually paying to see them!

All of this, of course, is in aid of the proposition that the

Canadian production industry is resilient, diverse, and entirely capable of producing a sufficient number of films, at sufficiently large scale, to meet, at least in part the increasingly voracious appetite of the viewing public for dramatic feature length motion pictures. We have believed for some time now that our programme production industry could, were there sufficient money available for the purpose, produce upwards of thirty-five per cent more high-quality feature length films each year. At that, we have recently been confirmed in this belief by an independent study by the federal government's Bureau of Management Services which reported that the available production capacity was fifty percent greater than that being used at present.

Our contention is, then, that the production industry will be able to respond relatively quickly to the need of Pay Television for film programmes, a need which most seem to agree will represent about one-half of its offerings to the paying public.

We feel compelled to point out that we do not expect to be able to satisfy the entire range of viewer wants and needs with Canadian programming. Philosophically, we take the view that the exclusion of non-Canadian programming is undesirable, and unhealthy: we doubt that a paying public could be expected in this day and age to accept this and we believe that a policy of this kind would only serve to ensure parochialism and insularity for this country's production industry in an increasingly fluid international environment. The free flow of ideas is a fundamental tenet of our belief.

One must not forget that the Canadian production industry has been playing its game at a certain disadvantage. We have had a very small share of a very large money prize. Now, however, with Pay Television there is presumably a more sympathetic rules committee, the C.R.T.C. And we say to you, very bluntly, that if you wish truly to benefit the production industry you must ensure that as large a part as possible of the revenues from the paying public must find its way into the Canadian programme

industry. Put simply the Commission must put in place a Pay Television System which will permit its long term survival. The system must be in place quickly, before others outside Canada are in a position to inundate the new medium with their own signals. And there must be fair access for Canadian producers together with the largest possible financial return to the Canadian programme production industry rather than to others abroad.

THE PAY TELEVISION NETWORK

Last year we identified several characteristics which we held desirable for the operator(s) of the Pay Television System. We refer you to that brief and here offer some amplification and public clarification of our views.

To begin, there are two questions to which neither we ourselves, nor anyone else for that matter, has yet offered satisfying answers.

The first is: What delivery system ought the PTV operator to rely on? There is cable with its converters, over-the-air transmission, the memory block, the "dish", and others. What does each cost, now and in the future; and which will stand up best in the face of international competition in this medium? The choice is important for its implications involve the enhancement or diminution of the amount of money flowing back to the production industry. We producers have found theatres a very expensive delivery system; our share of the box-office dollar is very small. And even though cable seems the most likely, immediate low-cost delivery system we ask that the Commission be careful lest a particular, potentially obsolete, system be allowed to gain, as hardware tends to, a too powerful inhibiting influence on the growth of the PTV phenomenon. Rather than leave this conundrum entirely for solution by the Commission, let us suggest that this very question demonstrates the

importance of building into the licensee the capacity and therefore the budget to continually research and evaluate the delivery system. Let us not permit the licensing of an operator who, like the communications delivery systems to date, the theatre and the broadcast mechanism, respond often too long after the fact, to consumer wishes and to technology.

* * *

The second question with no clear answer is: How should the financing of or the revenues generated by, the PTV system find its way into the production industry? Should the PTV Licensee pay for finished programmes presented by the producer for sale; should the Licensee invest in programmes which, even before production commences, are expected to be satisfying fare to the paying public; or, what mix of these two approaches is desirable?

On this question we admit to being genuinely divided. The Licensee who only purchases finished programmes can choose freely those productions ready for delivery and deliver them immediately. He can select the best, presumably, for his audience and spread his money to get the most likely money-makers or the widest selection or even take chances on doubtful, but finished programmes. However the Licensee may be at a competitive disadvantage vis-a-vis those users of product who buy in prior to production to obtain rights to the most promising material at the earliest opportunity. And the producer is thereby foreclosed from exploring this avenue during what is often the most difficult stage of his enterprise, namely, raising the production financing. In the face of this objection and on the other hand, all producers are put into the same position in the marketplace, that is, they, each of them, have PTV available only to the extent that they can deliver a "payable" product. The Licensee takes no risk that he will be called upon for extra production money, if it is found necessary;

nor is there the possibility that the abortive project will diminish the funds available to purchase and run programming that is actually finished.

If the Licensee can be involved in the financing of projects at a point before production begins he can, perhaps, obtain the rights to some of the better programmes which might otherwise be available to him, if at all, only after exhibition or broadcast in other media. The Licensee might also be able to assist the producer at a time when he, the Licensee, is most needed. At the very best, the producer might find himself blessed with real competition between and amongst the potential users of his product. The happiest imaginings of the producer, after all, involve people standing in line to pay for the right to view his wares! Yet, this way of connecting the Licensee with the production industry is not without dangers: the programme may fail to fulfill expectations, or even abort in production, with the attendant loss of what are not likely to be copious sums to be applied to purchasing of programmes. Too, there is the possibility that committing a significant portion of the purchasing budget will admit of the preference for playing that in which you have invested rather than that which, presented to you, the Licensee, in a finished form, is equally likely, or more likely to please the audience.

Maybe the answer lies between these two poles. Let the Licensee both purchase and invest but ensure that the perils of participating "up-front" do not affect the playing, and paying for, good programmes presented in finished form.

One further consideration bearing on this question, possibly the determining consideration, is that a Licensee participating in the financing of a programme, rather than merely purchasing the finished programme, might well be in a position to benefit financially from the exploitation of the programme in markets abroad. Replenishing the Licensee's coffers in this manner is the natural corollary of the proposition that PTV is a

springboard of the producer into foreign markets.

* * *

Now, then, these are some questions which we can answer.

Should the Licensee be a government agency; should it be a private group; or should it be a mix of both public and private sectors? Our own entrepreneurial instincts are accute enough to lead us to conclude that a private sector Licensee is the preferable one. But even putting this entirely to one side, we must address ourselves to the logic of the PTV phenomenon; note that its stated premise is to make money; recognize and acknowledge that it will be, at all events, carefully watched by a very effective regulatory agency of the federal government, the Commision; and conclude, unqualifiedly that it ought not to be any other than a company or group in the private sector. The Commission's gaze is, surely, enough involvement by government in the PTV phenomenon. Moreover, if the Canadian products purveyed on the new medium are to be sold abroad, the keenest entrepreneurial instincts must be brought to bear on the marketing of indigenous product here at home. We suggest, then, that the profit-motivated private sector Licensee(s) will be somewhat more responsive to audience preference than would a group with government participation in the form of both management and regulation. If a programme fails to engage the attention of the paying audience the Licensee ought to be able to move quickly to satisfy that audience.

* * *

The last question of any real importance to us is: How much Canadian content should be required on PTV? To this question we say: if you mean what percentage of programming should be Canadian, then it ought to be as much high-quality material as the Licensee can buy; if you mean what percentage of the

programme purchasing power should be directed to suppliers in the Canadian production industry, then it ought to be the preponderant portion of that budget. Put it another way: to us, content means dollars, not hours. We do not believe a profitable or acceptable system can exclude non-Canadian programmes either now or in the future. We do not believe that the number of hours of Canadian offerings is as important as the quality of those offerings. And we know, the larger the share of the purchasing power of the Licensee that is applied to the Canadian production industry the more likely will be the proliferation of production. You see, we in the production industry have grown stronger and more attuned to our audience in many ways, even in the face of being excluded at the beginning from our own means of exhibition, as long as we could improve the conditions under which productions could be mounted and diversify the "pot" from which investment funds were drawn. In the design of PTV in Canada, as we understand it, the Licensee, to the extent he benefits any production industry, is meant to benefit our own, at the outset. We submit that producers from elsewhere will, and ought, to sell their products to our Licensee in the same manner we sell abroad. Abroad we sell presently, in many instances, by way of "loss leader", to get a foothold, to get mere access to the market, to get known and get to be relied upon for our product. We don't, for the most part, profit much for it in the short run. Producers from abroad will look at our PTV system and quite possibly be prepared to regard it in the same way as we regarded their theatrical and television marketplace, that is, as a place to experiment with product, as a new medium to come to understand. Possibly, nay probably, they will sell to us their best for prices which ensure the smallest outlay for our own home-grown material. If our system is in place first, this view we take may be something more than a pious hope. There may be property in knowledge and there is, certainly, property in experience. At the beginning at least, we will be trading our valuable experience and a smaller amount of money for the best products from abroad.

So, take the gross subscriber revenues, deduct the cost of operating the license with a margin of profit; deduct the cost of delivery (which we expect to be closely regulated); and then apply the remainder to the purchase of Canadian programming, and, to the extent it is necessary to diversify the offering to the public, purchase from other producers.

* * *

We thank you and we look forward to the opportunity to amplify this new statement of our views in response to your questions during the public hearings.



September 29, 1976.

COMMENT
COMMENTAIRE

91

Mr. Guy Lefebvre,
Director-General,
Canadian Radio-Television Commission,
Licencing Policy & Administration Branch,
100 Metcalfe St.,
OTTAWA, Canada.

Dear Mr. Lefebvre:

Re: Proposed establishment of Pay Television
In Canada

CKVR began broadcasting in 1955. At that time CKVR was the only service for thousands of viewers in the vast area north of Toronto. Subsequently, new stations were licensed in the area. Viewers enjoyed the opportunity to tune additional Canadian and American programs on CFTO, CICA, CHCH, Global and CITY. As a result CKVR experienced extensive fragmentation of both audience and advertisers.

In addition, we now face the direct importation into our service area of American channels via micro-wave. These channels not only provide the viewer with U.S. programs that to date were only occasionally available, but paradoxically because of the technical vagaries of many CATV systems, these channels will be better than the off-air reception of some authorized Canadian stations.

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Received by - K...
SECRETARIAT

OCT 12 1976

C.R.T.C.



/2 Mr. Guy Lefebvre, CRTC.....

CKVR believes that a future with Pay Television could quite possibly result in the demise of the Canadian Television Industry. We already see the difficulties facing the smaller TV stations such as Pembroke. Next could come the medium-sized operators and eventually the larger stations in major communities.

One problem that we presently experience is the difficulty in purchasing program material from Canadian film distributors. There is a limited supply of feature films and other programs. High prices are demanded and obtained from large operators such as CFTO, Global, CBC and CTV. The law of supply and demand has made it virtually impossible for CKVR to compete for product. Compounding this problem is the fact that nearly all stations within our coverage area which are able to outbid us insist on lock-out clauses.

Pay Television will aggravate this problem. Those viewers who are unable to afford or have access to pay television, will be relegated to a second-class status as the pay television operators will price product and its availability out of the reach of all off-air stations, not just CKVR.

The viewer will be forced to buy programs which he has been receiving free. Eventually the quality of programming off-air will be watered down to only what the commercial pay television operator does not choose to buy.

Viewers tastes will be exploited as pay television strives for more extravagant spectacles to justify the costs to the viewer for programs he is now able, in most cases, to obtain free.

We would respectfully suggest that the Commission carefully weigh the decisions facing them regarding pay television. These could quite easily signal the end of television in Canada as we now know it.

Sincerely,

JACK MITCHELL

Vice-President & General Manager.

JM/dj

